

**REGION 15 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 15 EDUCATION SERVICE CENTER**

**ANNUAL FINANCIAL REPORT**

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

**REGION 15 EDUCATION SERVICE CENTER**

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

Board of Directors:

Donald Piwanka – Chairman

J.W. Jennings – Vice Chairman

Julie Griffin – Secretary

Billy Jack Rankin

Leigh Ann Glaze

Walter Holik, Jr.

Royce Sprott

Chasity Jones

Executive Director:

Casey Callahan

REGION 15 EDUCATION SERVICE CENTER

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2020

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CERTIFICATE OF BOARD

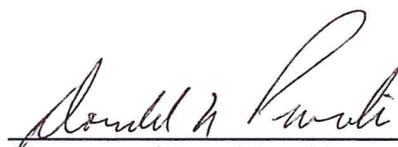
Region 15 Education Service Center  
Name of Service Center

Tom Green  
County

226-950  
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 17<sup>th</sup> day of December, 2020.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

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

**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 15 Education Service Center  
San Angelo, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Region 15 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, each major fund, and the aggregate remaining fund information of Region 15 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 4-11, budgetary comparison information on page 47, and net pension and other post-employment benefit liability information on pages 48-53 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 15 Education Service Center's basic financial statements. The other supplementary information comprised of the combining balance sheets and statements of revenues, expenditures and changes in fund balance for non-major governmental funds and combining statements of net position and statements of revenues, expenses and changes in net position 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 was 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 December 8, 2020, 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 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 in the 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

December 8, 2020

**REGION 15 EDUCATION SERVICE CENTER  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

This section of Region 15 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**

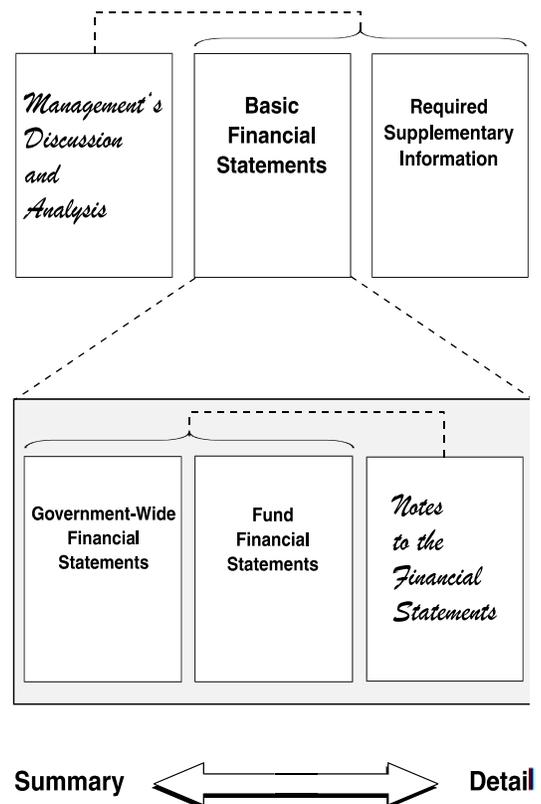
- The Center ended the year, August 31, 2020, with total net position of \$13,303,658, including unrestricted net position of \$8,940,908. The balance of cash and investments at August 31, 2020, was \$15,166,357.
- During the year, the Center generated \$21.8 million in grants, charges, and other revenues for governmental activities. In comparison to the prior year, revenues increased 37.2%, or approximately \$5.9 million and expenses increased 37.1%, or approximately \$5.9 million.
- The general fund reported a fund balance this year of \$12.8 million. This was an increase of approximately \$1.4 million (11.9%). The total governmental fund balance for the Center decreased approximately \$420,000 (-2.9%).

**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-term* 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’s 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**

<i>Type of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	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
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>◆ Statement of net position</li> <li>◆ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>◆ Balance sheet</li> <li>◆ Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>◆ Statement of net position</li> <li>◆ Statement of revenues, expenses and changes in net position</li> <li>◆ Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>◆ Statement of fiduciary net position</li> <li>◆ Statement of changes in fiduciary net position</li> </ul>
<i>Accounting basis and measurement focus</i>	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
<i>Type of asset/liability information</i>	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
<i>Type of inflow/outflow information</i>	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 Center’s contracted personnel and other internal services.
- *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 position increased approximately \$112,500 between fiscal years 2019 and 2020 to approximately \$13.3 million (see Table A-1).

Total assets increased by 1.1%, or about \$205,800, while total liabilities decreased by 10.7%, or about \$510,000. The majority of this decrease in liabilities was attributable to the decrease in the OPEB liability due to the change in actuarial assumptions.

In the following tables, our analysis focuses on the net position (Table A-1) and changes in net position (Table A-4) of the Center's governmental and business-type activities.

**Table A-1**  
**Region 15 Education Service Center**  
**NET POSITION**  
*(in thousands of dollars)*

	Governmental Activities 2020	Governmental Activities 2019	Total % Change
<u>Assets:</u>			
Current and Other Assets	\$ 15,782.5	\$ 16,204.0	-2.6%
Capital Assets	2,896.3	2,269.0	27.6%
Total Assets	<u>\$ 18,678.8</u>	<u>\$ 18,473.0</u>	<u>1.1%</u>
<u>Deferred Outflows of Resources</u>			
Deferred Outflows Related to Pension/OPEB Liabilities	\$ 876.3	\$ 772.0	13.5%
Total Deferred Outflows of Resources	<u>\$ 876.3</u>	<u>\$ 772.0</u>	<u>13.5%</u>
<u>Liabilities:</u>			
Current Liabilities	\$ 252.1	\$ 212.1	18.9%
Long Term Liabilities	3,996.3	4,546.3	-12.1%
Total Liabilities	<u>\$ 4,248.4</u>	<u>\$ 4,758.4</u>	<u>-10.7%</u>
<u>Deferred Inflows of Resources</u>			
Deferred Inflows Related to Pension/OPEB Liabilities	\$ 2,003.0	\$ 1,295.5	54.6%
Total Deferred Inflows of Resources	<u>\$ 2,003.0</u>	<u>\$ 1,295.5</u>	<u>54.6%</u>
<u>Net Position:</u>			
Net Investment in Capital Assets	\$ 2,896.3	\$ 2,269.0	27.6%
Restricted	1,466.5	3,252.3	-54.9%
Unrestricted	8,940.9	7,669.8	16.6%
Total Net Position	<u><u>\$ 13,303.7</u></u>	<u><u>\$ 13,191.1</u></u>	<u><u>0.9%</u></u>

## Capital Assets

The balances of capital assets are listed below and described in detail in the Notes to the Financial Statements.

	2020	2019	Total % Change
Land	\$ 52.1	\$ 52.1	0.0%
Buildings and Improvements	5,046.7	5,082.2	-0.7%
Equipment	1,696.2	1,823.4	-7.0%
Construction Work in Progress	<u>751.8</u>	<u>41.0</u>	<u>1733.7%</u>
Total Cost	\$ 7,546.8	\$ 6,998.7	7.8%
Total Accumulated Depreciation	<u>(4,650.5)</u>	<u>(4,729.7)</u>	<u>-1.7%</u>
Net Capital Assets	<u>\$ 2,896.3</u>	<u>\$ 2,269.0</u>	<u>27.6%</u>

## Long-Term Liabilities

The only long-term liabilities recognized by the Center are accrued compensated absences and 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.

	2020	2019
Accrued Compensated Absences	\$ 436.0	\$ 306.0
Net Pension Liability	103.1	198.5
Net OPEB Liability	<u>3,457.2</u>	<u>4,041.8</u>
Total Long-Term Liabilities	<u>\$ 3,996.3</u>	<u>\$ 4,546.3</u>

**Changes in net position:** The Center's total revenues increased 37.2% to \$21.8 million (see Table A-4). The majority of the Center's revenues, 68.8%, came from grants while 29.7% related to charges for services. (See Figure A-3).

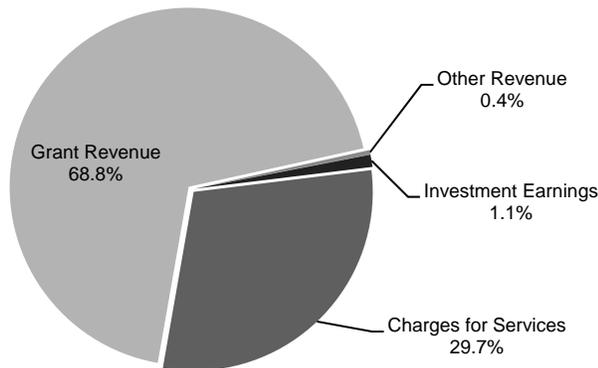
The total cost of all programs and services increased 37.1% to \$21.7 million. The majority of these costs, 53.0%, were for services related to instruction; curriculum and staff development; and school district administrative support. Another 26.0% of these costs were for facilities maintenance and operations.

- The Center's total expenditures for governmental activities increased approximately \$5.9 million from the prior year.
- The increases in revenue and expenses are largely due to increase in grant funding during the year.

**Table A-4**  
**Region 15 Education Service Center**  
**CHANGES IN NET POSITION**  
*(in thousands of dollars)*

	Governmental Activities 2020	Governmental Activities 2019	Total % Change
<b>Revenues:</b>			
Program Revenues:			
Charges for Services	\$ 6,486.4	\$ 5,655.5	14.7%
Operating Grants and Contributions	15,023.0	9,868.8	52.2%
General Revenues:			
Grants and Contributions not Restricted	11.9	3.3	260.6%
Investment Earnings	240.7	380.9	-36.8%
Miscellaneous Revenues	76.5	8.4	810.7%
Total Revenue	<u>\$ 21,838.5</u>	<u>\$ 15,916.9</u>	<u>37.2%</u>
<b>Expenses:</b>			
Instruction	\$ 2,714.0	\$ 2,496.1	8.7%
Curriculum and Staff Development	6,579.2	6,028.7	9.1%
School Leadership	46.8	15.0	212.0%
Food Services	66.6	11.8	464.4%
General Administration	1,569.6	1,428.8	9.9%
Facilities Maintenance and Operations	5,658.2	927.0	510.4%
Data Processing Services	1,753.5	1,666.0	5.3%
Community Services	9.2	18.4	-50.0%
School District Administrative Support (ESC)	2,228.8	1,722.0	29.4%
Payments Related to Shared Service Arrangements	1,100.1	1,534.1	-28.3%
Total Expenses	<u>\$ 21,726.0</u>	<u>\$ 15,847.9</u>	<u>37.1%</u>
Increase (Decrease) in Net Position	<u>\$ 112.5</u>	<u>\$ 69.0</u>	<u>63.0%</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 \$14.3 million, about \$420,000 less than the prior year. The revenues from governmental fund types totaled \$21.3 million, an increase of \$5.7 million, or 36.8%, from the preceding year.

Local revenues increased about \$691,000, to approximately \$6.7 million. This increase was primarily due to increases in services to member districts.

State revenues increased about \$3.9 million, to approximately \$7.0 million. This increase was primarily due to receiving more from state funded grants, namely a large E-Rate grant.

Federal revenues increased about \$1.1 million, to approximately \$7.6 million. This increase was primarily due to increased revenues across all 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 \$2.4 million, or about 18.1%, below final budget amounts. Revenues available were approximately \$242,000, or about 2.0%, above the final budgeted amount.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Region 15 Education Service Center ended the 2019-2020 fiscal year in a healthy financial condition. Closing out the 2019-2020 fiscal year the Education Service Center was able to maintain services to schools as we navigated through the pandemic. The internal service funds did however see a downturn in revenue. For the 2020-2021 fiscal year, the Center approved a 3% of mid-point increase in salaries for all employees in an effort to remain competitive in the job market.

For the 2020-2021 year the Center is continuing our statewide lead role for the Small and Rural School Network grant with funding of \$1 million to provide training and resources for identified small and rural schools in Texas to help in the provision of special education for their students. The Center is also continuing with our \$2.3 million in funding over 5 years from U.S. Department of Education Mental Health Service Professional Demonstration Grant Program. This grant is a collaborative partnership between the Center and Angelo State University to increase the number of school counselors employed and retained within the region. There will be a specialized focus on rural areas that lack access to mental health services and personnel.

For the 2020-2021 year the Center also was awarded a Department of Justice grant with a focus on stopping school violence with funding of \$750,000 over 3 years to pay for an anonymous reporting software against bullying with an emphasis on social and emotional learning. All Region 15 schools and other western ESC school districts have the opportunity to participate in the program.

With the 87<sup>th</sup> Legislative session approaching and the nation still in the middle of a pandemic the uncertainty of the financial impact to education is a great concern moving forward for the region's school districts. As the impacts of new legislation are unfolding the Center continues to support districts with a variety of timely, economical, and efficient services to help meet their diverse needs.

The leadership team of the Center maintains a standard that demonstrates and promotes efficient fiscal management in all aspects of the Center's operations. The Center is constantly looking for ways to add value to its services for the region's schools through improved techniques for content delivery, reduced costs, and shared service arrangements. The Center has become more efficient in the use of its resources while continuing to create partnerships with the region's LEA's, the local university, and other vital organizations in the community. Most importantly, the Center strives to be the first choice partner in meeting the educational needs of all students in Region 15.

## **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.

**FINANCIAL STATEMENTS**

REGION 15 EDUCATION SERVICE CENTER

Exhibit A-1

STATEMENT OF NET POSITION  
AUGUST 31, 2020

<u>Data Control Codes</u>		<u>Primary Government Governmental Activities</u>
	ASSETS AND OTHER DEBITS:	
1110	Cash	\$ 41,562
1120	Temporary Investments	15,124,795
	Receivables:	
1240	Due from Other Governments	496,954
1250	Accrued Interest	32,158
1290	Other Receivables	87,036
	Capital Assets:	
1510	Land	52,129
1520	Buildings, Net	1,595,554
1530	Furniture and Equipment, Net	496,854
1580	Construction Work in Progress	<u>751,753</u>
1000	Total Assets	\$ <u>18,678,795</u>
	DEFERRED OUTFLOWS OF RESOURCES:	
1705	Deferred Outflows Related to Pension Liability	\$ 192,226
1706	Deferred Outflows Related to OPEB Liability	<u>684,060</u>
	Total Deferred Outflows of Resources	\$ <u>876,286</u>
	LIABILITIES:	
	Current Liabilities:	
2110	Accounts Payable	\$ 76,741
2160	Accrued Wages Payable	175,327
2300	Unearned Revenue	33
2502	Accrued Compensated Absences	436,000
2540	Net Pension Liability	103,057
2545	Net OPEB Liability	<u>3,457,204</u>
2000	Total Liabilities	\$ <u>4,248,362</u>
	DEFERRED INFLOWS OF RESOURCES:	
2605	Deferred Inflows Related to Pension Liability	\$ 73,293
2606	Deferred Inflows Related to OPEB Liability	<u>1,929,768</u>
	Total Deferred Inflows of Resources	\$ <u>2,003,061</u>
	NET POSITION:	
3200	Net Investment in Capital Assets	\$ 2,896,290
3890	Restricted for Other Purposes	1,466,460
3900	Unrestricted Net Position (Deficit)	<u>8,940,908</u>
3000	Total Net Position (Deficit)	\$ <u><u>13,303,658</u></u>

The accompanying notes are an integral part of this statement.

REGION 15 EDUCATION SERVICE CENTER

Exhibit B-1

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Functions	1 Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	6 Total Governmental Activities
GOVERNMENTAL ACTIVITIES					
0011	Instruction	\$ 2,714,041	\$ 649,667	\$ 1,875,360	\$ (189,014)
0013	Curriculum & Instructional Staff Dev.	6,579,178	1,883,576	5,179,772	484,170
0023	School Leadership	46,770		43,231	(3,539)
0035	Food Services	66,606		64,051	(2,555)
0041	General Administration	1,569,586	439,762	517,836	(611,988)
0051	Facilities Maintenance and Operations	5,658,151	12,161	3,910,758	(1,735,232)
0053	Data Processing Services	1,753,477	2,198,744	802,232	1,247,499
0061	Community Services	9,201		9,047	(154)
0062	School District Administrative Support	2,228,833	1,302,442	1,520,605	594,214
0093	Payments to Fiscal Agents/Members	<u>1,100,112</u>		<u>1,100,112</u>	<u>0</u>
TP	Total Primary Government	\$ <u>21,725,955</u>	\$ <u>6,486,352</u>	\$ <u>15,023,004</u>	\$ <u>(216,599)</u>

Data Control Codes

General Revenues:

GC	Grants and Contributions Not Restricted	\$ 11,906
IE	Investment Earnings	240,707
MI	Miscellaneous Local and Intermediate Revenue	<u>76,496</u>
TR	Total General Revenues	\$ <u>329,109</u>
CN	Change in Net Position	\$ 112,510
NB	Net Position - Beginning	<u>13,191,148</u>
NE	Net Position - Ending	\$ <u><u>13,303,658</u></u>

The accompanying notes are an integral part of this statement.

REGION 15 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	Chapter 41 WADA Fund		
ASSETS AND OTHER DEBITS:						
1110	Cash and Cash Equivalents	\$ 100	\$	\$ 41,462	\$	\$ 41,562
1120	Temporary Investments	15,124,795				15,124,795
	Receivables:					
1240	Due from Other Governments	40,937	195,282		260,735	496,954
1250	Accrued Interest	32,158				32,158
1260	Due from Other Funds			1,468,971		1,468,971
1290	Other Receivables	1,064			85,972	87,036
1000	Total Assets	<u>\$ 15,199,054</u>	<u>\$ 195,282</u>	<u>\$ 1,510,433</u>	<u>\$ 346,707</u>	<u>\$ 17,251,476</u>
LIABILITIES:						
	Current Liabilities:					
2110	Accounts Payable	\$ 32,668	\$	\$ 43,973	\$	\$ 76,641
2160	Accrued Wages Payable	142,842	2,530		26,842	172,214
2170	Due to Other Funds	2,179,199	192,752		319,832	2,691,783
2300	Unearned Revenue				33	33
2000	Total Liabilities	<u>\$ 2,354,709</u>	<u>\$ 195,282</u>	<u>\$ 43,973</u>	<u>\$ 346,707</u>	<u>\$ 2,940,671</u>
FUND BALANCES:						
	Restricted Fund Balance:					
3490	Other Restricted	\$	\$	\$ 1,466,460	\$	\$ 1,466,460
	Committed Fund Balance:					
3510	Construction	2,053,980				2,053,980
3530	Capital Expenditures	1,895,650				1,895,650
3545	Other Committed	6,486,684				6,486,684
	Assigned Fund Balance:					
3550	Construction	780,375				780,375
3600	Unassigned Fund Balance	1,627,656				1,627,656
3000	Total Fund Balances	<u>\$ 12,844,345</u>	<u>\$ 0</u>	<u>\$ 1,466,460</u>	<u>\$ 0</u>	<u>\$ 14,310,805</u>
4000	Total Liabilities and Fund Balances	<u>\$ 15,199,054</u>	<u>\$ 195,282</u>	<u>\$ 1,510,433</u>	<u>\$ 346,707</u>	<u>\$ 17,251,476</u>

The accompanying notes are an integral part of this statement.

REGION 15 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)	\$ 14,310,805
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 \$7,049,326 and the accumulated depreciation was (\$4,403,236). The net effect of including these balances of capital assets (net of depreciation) is to increase net position.	2,646,090
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.	1,469,799
3	Accrued compensated absences is long-term in nature and is not recorded in the governmental funds. The recognition of this liability in the government-wide financial statements results in a decrease to net position.	(436,000)
4	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 (\$103,057) and deferred resource inflows and outflows related to this liability in the amounts of (\$73,293) and \$192,226, respectively. This amounted to an increase in net position.	15,876
5	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 (\$3,457,204) and deferred resource inflows and outflows of (\$1,929,768) and \$684,060, respectively. This amounted to a decrease in net position.	<u>(4,702,912)</u>
19	Total Net Position of Governmental Activities (Exhibit A-1)	<u>\$ 13,303,658</u>

The accompanying notes are an integral part of this statement.

REGION 15 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	Chapter 41 WADA Fund			
REVENUES:						
5700	Local and Intermediate Sources	\$ 5,799,866	\$	\$	\$ 939,099	\$ 6,738,965
5800	State Program Revenues	5,976,480			1,025,187	7,001,667
5900	Federal Program Revenues	440,394	2,408,479		4,702,463	7,551,336
5020	Total Revenues	\$ 12,216,740	\$ 2,408,479	\$ 0	\$ 6,666,749	\$ 21,291,968
EXPENDITURES:						
0011	Instruction	\$ 166,603	\$ 773,999	\$	\$ 1,606,849	\$ 2,547,451
0013	Curriculum & Instructional Staff Dev.	1,654,587	483,781		4,075,116	6,213,484
0023	School Leadership	3,802	40,149			43,951
0035	Food Services	2,353	52,813		9,465	64,631
0041	General Administration	1,349,722		127,103	10,208	1,487,033
0051	Facilities Maintenance and Operations	3,777,543	135,923	1,631,330	4,091	5,548,887
0053	Data Processing Services	1,801,335		27,419		1,828,754
0061	Community Services		9,047			9,047
0062	School District Administrative Support	1,334,355	5,725		767,950	2,108,030
0081	Facilities Acquisition and Construction	710,753				710,753
0093	Payments to Fiscal Agents/Members		907,042		193,070	1,100,112
6030	Total Expenditures	\$ 10,801,053	\$ 2,408,479	\$ 1,785,852	\$ 6,666,749	\$ 21,662,133
1100	Excess of Revenues Over Expenditures	\$ 1,415,687	\$ 0	\$ (1,785,852)	\$ 0	\$ (370,165)
OTHER FINANCING SOURCES:						
8911	Transfers Out	\$ (50,000)	\$	\$	\$	\$ (50,000)
7080	Total Other Financing Sources	\$ (50,000)	\$ 0	\$ 0	\$ 0	\$ (50,000)
1200	Net Change in Fund Balance	\$ 1,365,687	\$ 0	\$ (1,785,852)	\$ 0	\$ (420,165)
0100	September 1 - Fund Balance	11,478,658	0	3,252,312	0	14,730,970
3000	August 31 - Fund Balance	\$ 12,844,345	\$ 0	\$ 1,466,460	\$ 0	\$ 14,310,805

The accompanying notes are an integral part of this statement.

REGION 15 EDUCATION SERVICE CENTER

Exhibit C-4

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
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) \$ (420,165)

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 capital outlays exceeded depreciation in the current period, net of adjustments. 676,482

Gains and losses from retirement of fixed assets are recognized in the government-wide financial statements. This is the amount of loss from retirement of fixed assets for the current year. (1,088)

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). (89,470)

The change in the compensated absences liability during the year results in a decrease in the change to net position. (130,000)

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. 98,269

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. (21,518)

Change in Net Position of Governmental Activities (Exhibit B-1) \$ 112,510

The accompanying notes are an integral part of this statement.

REGION 15 EDUCATION SERVICE CENTER

Exhibit D-1

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2020

	<u>Governmental Activities Internal Service Funds</u>
ASSETS:	
Current Assets:	
Due from Other Funds	\$ <u>1,222,812</u>
Total Current Assets	\$ <u>1,222,812</u>
Noncurrent Assets:	
Furniture and Equipment	\$ 497,476
Accumulated Depreciation	<u>(247,276)</u>
Total Noncurrent Assets	\$ <u>250,200</u>
Total Assets	\$ <u>1,473,012</u>
LIABILITIES:	
Accounts Payable	\$ 100
Accrued Wages Payable	<u>3,113</u>
Total Liabilities	\$ <u>3,213</u>
NET POSITION:	
Net Investment in Capital Assets	\$ 250,200
Unrestricted Net Position	<u>1,219,599</u>
Total Net Position	\$ <u><u>1,469,799</u></u>

The accompanying notes are an integral part of this statement.

REGION 15 EDUCATION SERVICE CENTER

Exhibit D-2

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

	<u>Governmental Activities</u> <u>Internal</u> <u>Service Funds</u>
OPERATING REVENUES	
Operating Revenues and Charges to Other Funds	\$ 10,180,126
Total Revenues	<u>\$ 10,180,126</u>
OPERATING EXPENSES	
Payroll Costs	\$ 9,460,513
Professional and Contracted Services	692,492
Supplies and Materials	109,713
Other Operating Expenses	48,768
Depreciation	84,606
Total Expenses	<u>\$ 10,396,092</u>
Operating Income	<u>\$ (215,966)</u>
NON-OPERATING REVENUES (EXPENSES)	
Insurance Recovery	\$ 76,496
Total Non-operating Revenues (Expenses)	<u>\$ 76,496</u>
Income Before Transfers	\$ (139,470)
Transfer In	<u>50,000</u>
Change in Net Position	\$ (89,470)
Net Position - September 1 (Beginning)	<u>1,559,269</u>
Net Position - August 31 (Ending)	<u><u>\$ 1,469,799</u></u>

The accompanying notes are an integral part of this statement.

REGION 15 EDUCATION SERVICE CENTER

Exhibit D-3

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

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows From Operating Activities	
Charges to Users and Receipts from Other Funds	\$ 8,957,314
Transfer from Other Fund	50,000
Insurance Recovery	76,496
Payments to Employees for Services	(9,460,318)
Payments for Contracted Services	(692,492)
Payments to Suppliers	(109,713)
Payments for Other Operating Expenses	<u>(48,768)</u>
Net Cash From Operating Activities	\$ <u>(1,227,481)</u>
Cash Flows From Investing Activities	
Capital Expenditures	\$ <u>(36,512)</u>
Net Cash From Investing Activities	\$ <u>(36,512)</u>
Net Change in Cash	\$ (1,263,993)
Cash and Cash Equivalents at Beginning of the Year	<u>1,263,993</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>0</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES	
Operating Income	\$ (215,966)
Change in Due from Other Funds	(1,222,812)
Change in Accrued Wages Payable	195
Transfer from Other Fund	50,000
Insurance Recovery	76,496
Depreciation	<u>84,606</u>
Net Cash From Operating Activities	\$ <u><u>(1,227,481)</u></u>

The accompanying notes are an integral part of this statement.

REGION 15 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	\$ <u>52,243</u>
Total Assets	\$ <u>52,243</u>
LIABILITIES:	
Accounts Payable	\$ 36,485
Other Accounts Payable	<u>15,758</u>
Total Liabilities	\$ <u>52,243</u>
NET POSITION:	
Unrestricted Net Position	\$ <u><u>0</u></u>

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

**REGION 15 EDUCATION SERVICE CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Region 15 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, a seven-member group, has governance responsibilities over all activities related to education services within the jurisdiction of the Center. The Board of Directors has the authority to make decisions, appoint administrators and managers, and 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.

Since the Center received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

**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). The Center currently has no 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 on the 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 15 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.

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, proprietary funds, and fiduciary 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 are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

Proprietary 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.

## REGION 15 EDUCATION SERVICE CENTER

### NOTES TO FINANCIAL STATEMENTS

Proprietary and fiduciary 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 undesignated fund balances are considered resources available for current operations.

**Major Special Revenue Funds** – SSA Head Start, Early Childhood Intervention (ECI), and Chapter 41 WADA Fund are reported as a major funds and accounted for as described below.

Additionally, the government 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. For all other funds in this fund type, 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 primarily inside the Center, specifically for the operation of its building activities, Center-wide labor pool, duplication, and other services.

#### FIDUCIARY FUND TYPES

**Agency Funds** – These custodial funds are used to account other organizational activities. Financial resources for the agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity.

#### 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 assets useful lives are not capitalized.

**REGION 15 EDUCATION SERVICE CENTER**

**NOTES TO FINANCIAL STATEMENTS**

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.

Supplies and materials are debited as expenditures when purchased, except for some small inventory items in the Internal Service Fund.

It is the Center's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. Upon retirement or death of certain employees, the Center pays any accrued sick and vacation leave in a lump sum payment. This liability is recorded on the statement of net position.

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 "grossing up" 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.

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 is then called for the purpose of adopting the proposed budget. At least 10 days public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally enacted by the Board.

REGION 15 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

The budget is prepared and controlled at the function level within each fund 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.

**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. 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.

**G. 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:

**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** – Portion of fund balance that can be used for a specific purpose as expressed by the authorized administrator, the Executive Director.

**Unassigned** – Amounts not included in other spendable classifications.

The Center's Board of Directors has committed \$10,436,314 of the General Fund's fund balance for future construction, capital expenditures and other purposes. In addition the Center has assigned \$780,375 for construction.

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.

**REGION 15 EDUCATION SERVICE CENTER**

**NOTES TO FINANCIAL STATEMENTS**

The Center administers the special revenue fund entitled the Chapter 41 WADA Fund. The balances of excess revenues received, including Region 15 Education Service Center's share of wealth equalization agreements, over expenditures incurred related to the consortium is reported as restricted fund balance of \$1,466,460 at August 31, 2020.

**H. 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 accumulated depreciation.

**Restricted for Other Purposes** – this component of net position represents amounts restricted for specific purposes. This includes the balance in the Chapter 41 WADA Fund.

**Unrestricted** – the difference between assets and liabilities that is not reported in Restricted Net Position or Net Investment in Capital Assets.

**I. PENSIONS**

The fiduciary net position of the Teacher Retirement System (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.

**J. 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 a pay-as-you-go plan and all cash is held in a cash account.

**K. 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.

REGION 15 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

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.

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 a deposit and investment policy. That policy does not address the following risks:

- 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, the Center had no significant investment balances.
- c. Credit Risk – Not applicable.
- d. Interest Rate Risk – Not applicable.
- e. Foreign Currency Risk – Not applicable.

**REGION 15 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 on Hand	\$ 100	0.0%	\$ 100	N/A
Cash in Bank	93,705	0.6%	93,705	N/A
TexPool Investments	3,834,302	25.2%	3,834,302	AAAm
Lone Star Investment Pool	7,044,475	46.3%	7,044,475	AAAm
Texas Term Money Market	309,018	2.0%	309,018	N/A
Texas Term CD Program	<u>3,937,000</u>	<u>25.9%</u>	<u>3,937,000</u>	N/A
	<u>\$ 15,218,600</u>	<u>100.0%</u>	<u>\$ 15,218,600</u>	
Statement of Net Position	\$ 15,166,357			
Statement of Fiduciary Net Position	<u>52,243</u>			
	<u>\$ 15,218,600</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 (SEC) 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.

**3. PROPERTY TAXES**

The Center does not assess or collect property taxes.

**4. DUE FROM OTHER GOVERNMENTS**

The balance of \$496,954 represents amounts due from Texas Education Agency and others for various federal and state projects, as well as member school districts for various charges.

**REGION 15 EDUCATION SERVICE CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**5. INTERFUND RECEIVABLES AND PAYABLES**

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
Due from Other Funds	\$	\$ 1,468,971	\$ 1,222,812	\$ 2,691,783
Due to Other Funds	\$ 2,179,199	\$ 512,584	\$	\$ 2,691,783

**6. CAPITAL ASSETS**

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

	<u>9/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>8/31/2020</u>
Capital Assets:				
Land	\$ 52,129	\$	\$	\$ 52,129
Building and Improvements	5,082,165		35,447	5,046,718
Furniture and Equipment	1,485,671	172,524	336,188	1,322,007
Vehicles	337,682	36,512		374,194
Work in Progress	41,000	710,753		751,753
	<u>\$ 6,998,647</u>	<u>\$ 919,789</u>	<u>\$ 371,635</u>	<u>\$ 7,546,801</u>
Accumulated Depreciation				
Buildings and Improvements	\$ 3,346,788	\$ 138,734	\$ 34,358	\$ 3,451,164
Furniture and Equipment	1,275,879	75,239	336,188	1,014,930
Vehicles	106,990	77,427		184,417
	<u>\$ 4,729,657</u>	<u>\$ 291,400</u>	<u>\$ 370,546</u>	<u>\$ 4,650,511</u>
Total Net Value of Capital Assets	<u>\$ 2,268,990</u>	<u>\$ 628,389</u>	<u>\$ 1,089</u>	<u>\$ 2,896,290</u>

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

Buildings and Improvements	30 years
Furniture and Equipment	5 - 12 years
Vehicles	5 years

**REGION 15 EDUCATION SERVICE CENTER**

**NOTES TO FINANCIAL STATEMENTS**

Depreciation expense and net loss on retirement attributable to fixed assets used for governmental activities was charged to functions of the primary government as follows:

	<u>Depreciation</u>	<u>Net Loss</u>
Instruction	\$ 26,683	\$ 141
Curriculum and Instructional Staff Development	65,083	342
General Administration	15,576	82
Plan Maintenance and Operations	58,121	307
Data Processing Services	19,155	101
Community Services	95	
School District Administrative Support Services	22,081	116
Internal Service Funds	<u>84,606</u>	
	<u>\$ 291,400</u>	<u>\$ 1,089</u>

**7. UNEARNED REVENUES**

Governmental funds report unearned revenue in connection with revenues that are not considered to be available to liquidate liabilities of the current period. The balance of unearned revenues at August 31, 2020 was \$33 recognized in a special revenue fund.

**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 so 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:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Pension Related (See Note 12)	\$ 192,226	\$ 684,060
OPEB Related (See Note 13)	<u>73,293</u>	<u>1,929,768</u>
Deferred Outflows/Inflows	<u>\$ 265,519</u>	<u>\$ 2,613,828</u>

**9. LONG-TERM LIABILITIES**

The Center's long-term liabilities consist of accrued compensated absences. This balance is accrued from general and special revenue funds' revenues. Activity in this account is as follows:

	<u>Beginning</u>	<u>Activity</u>	<u>Ending</u>
Compensated Absences	\$ <u>306,000</u>	\$ <u>130,000</u>	\$ <u>436,000</u>

**REGION 15 EDUCATION SERVICE CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**10. 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	\$ 240,707	\$	\$ 240,707
Charges for Services / Other	5,559,159	939,099	6,498,258
	<u>\$ 5,799,866</u>	<u>\$ 939,099</u>	<u>\$ 6,738,965</u>

**11. GENERAL FUND FEDERAL SOURCE REVENUES**

Federal revenues recognized in the General Fund consist of \$440,394 in indirect cost revenue.

**12. 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.

REGION 15 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

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	\$ 209,961,325,288	\$ 209,611,328,793
Less: Plan Fiduciary Net Position	(157,978,199,075)	(154,568,901,833)
Net Pension Liability	\$ 51,983,126,213	\$ 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. 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 86<sup>th</sup> 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 13<sup>th</sup> 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% and not more than 10.0% of the aggregate annual compensation paid to members of TRS during the fiscal year.

**REGION 15 EDUCATION SERVICE CENTER**

**NOTES TO FINANCIAL STATEMENTS**

Employee contribution rates are set in state statute, Texas Government Code 825.402. The 85<sup>th</sup> 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 86<sup>th</sup> 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.

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

	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	\$	115,686
2020 Member Contributions	\$	563,663
2019 NECE On-Behalf Contributions	\$	441,818

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

As the non-employer contributing entity for public education, 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.

**REGION 15 EDUCATION SERVICE CENTER**

**NOTES TO FINANCIAL STATEMENTS**

- 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.

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.

**REGION 15 EDUCATION SERVICE CENTER**

**NOTES TO FINANCIAL STATEMENTS**

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.

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**
<b>Global Equity</b>			
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%
<b>Stable Value</b>			
U.S. Treasuries***	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
<b>Real Return</b>			
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%
<b>Risk Parity</b>			
Risk Parity	5.00%	8.00%	****
Asset Allocation Leverage Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage		-6.00%	2.70%
<b>Total</b>	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

**REGION 15 EDUCATION SERVICE CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than or 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	\$ <u>158,413</u>	\$ <u>103,057</u>	\$ <u>58,207</u>

**Pension Liabilities and Pension Expense**

At August 31, 2020, the Center reported a liability of \$103,057 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	\$ 103,057
State's Proportionate Share that is Associated with the Center	<u>6,562,081</u>
Total	<u>\$ 6,665,138</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 0.0001983% which was a decrease of 0.0001623% from its proportion measured as of August 31, 2018.

For the year ended August 31, 2020, the Center recognized pension expense of \$1,030,810 and revenue of \$441,818 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 due 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.

REGION 15 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

- With the enactment of Senate Bill 3 by the 86<sup>th</sup> 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 13<sup>th</sup> 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.

**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	\$ 433	\$ 3,578
Changes in Actuarial Assumptions	31,973	13,213
Difference Between Projected and Actual Investment Earnings	1,035	
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	43,099	56,502
Contributions Paid to TRS Subsequent to the Measurement Date	<u>115,686</u>	
Total	<u>\$ 192,226</u>	<u>\$ 73,293</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	\$ 3,756
2022	2,931
2023	6,958
2024	2,292
2025	(8,241)
Thereafter	(4,449)

REGION 15 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

13. 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.

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

<u>Net OPEB Liability</u>	<u>2019</u>	<u>2018</u>
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 86<sup>th</sup> Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86<sup>th</sup> 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.

**REGION 15 EDUCATION SERVICE CENTER**

**NOTES TO FINANCIAL STATEMENTS**

The premium rates for retirees are presented below:

TRS-Care Plan Premium Rates

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

**Contributions**

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 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:

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</u>
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	\$ 54,902	
2020 Member Contributions		47,582
2019 NECE On-Behalf Contributions		68,938

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.

**REGION 15 EDUCATION SERVICE CENTER**

**NOTES TO FINANCIAL STATEMENTS**

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	

**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.

**REGION 15 EDUCATION SERVICE CENTER**

**NOTES TO FINANCIAL STATEMENTS**

Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Discount Rate Sensitivity Analysis**

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

	1% Decrease in Discount Rate (1.63%)	Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
Center's Proportionate Share of the Net OPEB Liability	\$ 4,173,955	\$ 3,457,204	\$ 2,896,489

**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	\$ 2,820,266	\$ 3,457,204	\$ 4,310,409

**OPEB Liabilities and OPEB Expense**

At August 31, 2020, the Center reported a liability of \$3,457,204 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	\$ 3,457,204
State's Proportionate Share that is Associated with the Center	<u>4,593,851</u>
Total	<u>\$ 8,051,055</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 0.0073105% which was a decrease of 0.0007843% proportion measured as of August 31, 2018.

For the year ended August 31, 2020, the Center recognized OPEB expense of \$121,075 and revenue of \$68,938 for support provided by the State.

REGION 15 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Actuarial Experience	\$ 169,605	\$ 565,735
Changes in Actuarial Assumptions	192,021	929,903
Difference Between Projected and Actual Investment Earnings	449	76
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	267,083	434,054
Contributions Paid to TRS Subsequent to the Measurement Date	<u>54,902</u>	
Total	<u>\$ 684,060</u>	<u>\$ 1,929,768</u>

**REGION 15 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	\$ (206,832)
2022	(206,832)
2023	(206,953)
2024	(207,024)
2025	(207,006)
Thereafter	(265,963)

**14. INSURANCE COVERAGE**

The Center is a participant in the Texas Association of School Boards (TASB) Workers' Compensation Self-Insurance Fund (the Fund). The associated costs are accounted for in the General Fund and allocated to all funds. The Fund is protected against unanticipated catastrophic loss by stop loss insurance coverage. The Claims Administrator for the pool has estimated the Center's share of unpaid claims as of August 31, 2020, to be immaterial. The Center has not recorded any claims payable at August 31, 2020, related to this liability.

During the year ended August 31, 2020, Region 15 Education Service Center participated in the TRS health insurance plan. The Center contributes a maximum of \$500 per month per employee to the plan, and employees, at their option, authorized payroll withholdings to pay contributions for dependents. The TRS requires each center to contribute premiums in order to fund administrative costs and health insurance claims.

Payments made on behalf of the Center by the state for Medicare, Part D fringe benefits and salaries amounted to \$34,791 and \$25,234 for the years ended August 31, 2020 and 2019, respectively.

**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.

REGION 15 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

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 the lease agreements for the next year amounts to \$33,435.

Lease expenditures during 2019-2020 were \$29,968.

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:

Table with 6 columns: Program, FASRG Model #, Number of Member Districts, Member Districts, Fiscal Agent, Total. Rows include Head Start, T1, Part C Migrant, IDEA, Part B Discretionary, Carl D. Perkins, T3, Part A English Language Acquisition and Langu, and State Deaf Regional Day School for the Deaf.

**REGION 15 EDUCATION SERVICE CENTER**

**NOTES TO FINANCIAL STATEMENTS**

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

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

**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.

**IDEA, Part B – Discretionary** is a federally-funded SSA that provides assistance to ensure that all children with disabilities have available to them a free appropriate public education that emphasizes participation in the least restrictive environment, provision of services designed to meet their unique needs, and preparations for further education, employment, and independent living.

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

**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.

**State Deaf – Regional Day School for the Deaf** is a state-funded SSA that provides funding to school districts allowing school districts to provide staff and activities for the regional day school program for the deaf.

**REQUIRED SUPPLEMENTARY INFORMATION**

REGION 15 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	\$ 4,932,066	\$ 5,674,258	\$ 5,799,866	\$ 125,608
5800	State Program Revenues	5,975,737	6,048,086	5,976,480	(71,606)
5900	Federal Program Revenues	<u>251,000</u>	<u>252,000</u>	<u>440,394</u>	<u>188,394</u>
5020	Total Revenues	\$ <u>11,158,803</u>	\$ <u>11,974,344</u>	\$ <u>12,216,740</u>	\$ <u>242,396</u>
EXPENDITURES:					
0011	Instruction	\$ 165,900	\$ 167,996	\$ 166,603	\$ 1,393
0013	Curriculum & Instructional Staff Dev.	2,136,195	2,414,983	1,654,587	760,396
0023	School Leadership	3,560	3,805	3,802	3
0035	Food Services	930	2,400	2,353	47
0041	General Administration	1,480,998	1,548,027	1,349,722	198,305
0051	Facilities Maintenance and Operations	3,838,703	3,788,491	3,777,543	10,948
0053	Data Processing Services	1,896,316	2,257,545	1,801,335	456,210
0061	Community Services	500	400		400
0062	School District Administrative Support	1,549,343	1,545,774	1,334,355	211,419
0081	Facilities Acquisition and Construction		<u>1,459,000</u>	<u>710,753</u>	<u>748,247</u>
6030	Total Expenditures	\$ <u>11,072,445</u>	\$ <u>13,188,421</u>	\$ <u>10,801,053</u>	\$ <u>2,387,368</u>
1100	Excess of Revenues Over Expenditures	\$ <u>86,358</u>	\$ <u>(1,214,077)</u>	\$ <u>1,415,687</u>	\$ <u>2,629,764</u>
OTHER FINANCING SOURCES:					
8911	Transfers Out	\$ <u></u>	\$ <u>(50,000)</u>	\$ <u>(50,000)</u>	\$ <u>0</u>
7080	Total Other Financing Sources	\$ <u>0</u>	\$ <u>(50,000)</u>	\$ <u>(50,000)</u>	\$ <u>0</u>
1200	Net Change in Fund Balance	\$ 86,358	\$ (1,264,077)	\$ 1,365,687	\$ 2,629,764
0100	September 1 - Fund Balance	<u>11,478,658</u>	<u>11,478,658</u>	<u>11,478,658</u>	<u>0</u>
3000	August 31 - Fund Balance	\$ <u>11,565,016</u>	\$ <u>10,214,581</u>	\$ <u>12,844,345</u>	\$ <u>2,629,764</u>

REGION 15 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 Proportionate Share of the Net Pension Liability	0.0001983%	0.0003606%	0.0003685%	0.0001848%	0.0001264%	0.0001632%
Center's Proportionate Share of the Net Pension Liability	\$ 103,057	\$ 198,472	\$ 117,824	\$ 69,850	\$ 44,681	\$ 43,593
State's Proportionate Share of the Net Pension Liability Associated with the Center	<u>6,562,081</u>	<u>7,051,286</u>	<u>4,199,239</u>	<u>5,171,366</u>	<u>5,107,350</u>	<u>4,107,641</u>
Total Net Pension Liability	<u>\$ 6,665,138</u>	<u>\$ 7,249,758</u>	<u>\$ 4,317,063</u>	<u>\$ 5,241,216</u>	<u>\$ 5,152,031</u>	<u>\$ 4,151,234</u>
Center's Covered Payroll	\$ 6,775,121	\$ 6,519,018	\$ 6,347,468	\$ 6,390,564	\$ 6,310,118	\$ 5,723,055
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	1.52%	3.04%	1.86%	1.09%	0.71%	0.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%	76.43%	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 15 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	\$ 6,939	\$ 12,147	\$ 11,750	\$ 9,689	\$ 5,873	\$ 4,137
Contribution in Relation to the Contractually Required Contribution	<u>(6,939)</u>	<u>(12,147)</u>	<u>(11,750)</u>	<u>(9,689)</u>	<u>(5,873)</u>	<u>(4,137)</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	\$ 7,320,292	\$ 6,775,121	\$ 6,517,905	\$ 6,347,468	\$ 6,390,564	\$ 6,310,118
Contributions as a Percentage of Covered Payroll	0.09%	0.18%	0.18%	0.15%	0.09%	0.07%

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 15 EDUCATION SERVICE CENTER

Exhibit G-4

SCHEDULES OF THE CENTER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TEACHERS RETIREMENT SYSTEM FOR THE YEAR 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	0.0073105%	0.0080947%	0.0075384%
Center's Proportionate Share of Net OPEB Liability	\$ 3,457,204	\$ 4,041,768	\$ 3,278,148
State's Proportionate Share of the Net OPEB Liability Associated with the Center	<u>4,593,851</u>	<u>5,909,010</u>	<u>5,280,414</u>
Total	<u>\$ 8,051,055</u>	<u>\$ 9,950,778</u>	<u>\$ 8,558,562</u>
Center's Covered Payroll	\$ 6,775,121	\$ 6,519,018	\$ 6,519,018
Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	51.03%	62.00%	50.29%
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 15 EDUCATION SERVICE CENTER

Exhibit G-5

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 54,902	\$ 50,813	\$ 55,313
Contribution in Relation to the Contractually Required Contribution	<u>(54,902)</u>	<u>(50,813)</u>	<u>(55,313)</u>
Contribution Deficiency (Excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Center's Covered Payroll	\$ 7,320,292	\$ 6,775,121	\$ 6,517,905
Contributions as a Percentage of Covered Payroll	0.75%	0.75%	0.85%

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 15 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 86<sup>th</sup> 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 13<sup>th</sup> 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 15 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-2**

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REGION 15 EDUCATION SERVICE CENTER

Exhibit H-1  
(Continued)

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

Data Control Codes	206 ESC Capacity Building 84.196A	211 ESEA T-I, Part A Support 84.010A	212 ESEA T-I, Part C Migrant 84.011A	225 IDEA Part B Preschool 84.173A	226 IDEA Part B Discretionary 84.027A	241 Child Nutrition 10.560	244 Career and Technical Education 84.048A	263 ESEA T-III, Part A ELA 84.365A	276 Reading Academy/ Instructional 84.377A	288 CACFP 10.558	289 Title IV Tech Assist/ Behavioral 84.424A	
<b>ASSETS AND OTHER DEBITS:</b>												
1110	Cash and Temporary Investments	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Receivables:												
1240	Due from Other Governments	3,453	11,865	3,660	1,380	57,377	125,002	3,284	25	303	1,210	1,501
1290	Other Receivables											
1000	Total Assets	<u>\$ 3,453</u>	<u>\$ 11,865</u>	<u>\$ 3,660</u>	<u>\$ 1,380</u>	<u>\$ 57,377</u>	<u>\$ 125,002</u>	<u>\$ 3,284</u>	<u>\$ 25</u>	<u>\$ 303</u>	<u>\$ 1,210</u>	<u>\$ 1,501</u>
<b>LIABILITIES:</b>												
Current Liabilities:												
2160	Accrued Wages Payable	\$	\$ 9,752	\$ 2,725	\$ 1,245	\$	\$	\$	\$	\$	\$	1,334
2170	Due to Other Funds	3,453	2,113	935	135	57,377	125,002	3,284	25	303	1,210	167
2300	Unearned Revenue											
2000	Total Liabilities	<u>\$ 3,453</u>	<u>\$ 11,865</u>	<u>\$ 3,660</u>	<u>\$ 1,380</u>	<u>\$ 57,377</u>	<u>\$ 125,002</u>	<u>\$ 3,284</u>	<u>\$ 25</u>	<u>\$ 303</u>	<u>\$ 1,210</u>	<u>\$ 1,501</u>
<b>FUND BALANCES:</b>												
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>\$ 3,453</u>	<u>\$ 11,865</u>	<u>\$ 3,660</u>	<u>\$ 1,380</u>	<u>\$ 57,377</u>	<u>\$ 125,002</u>	<u>\$ 3,284</u>	<u>\$ 25</u>	<u>\$ 303</u>	<u>\$ 1,210</u>	<u>\$ 1,501</u>

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**REGION 15 EDUCATION SERVICE CENTER**

**Exhibit H-1  
(Concluded)**

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

Data Control Codes	289 HELP Mental Health 84.148X	301 SSA-T-III, Part C Migrant 84.011A	350 SSA T-III, Part A ELA 84.365A	385 Visually Impaired ESC SSVI	416 State Head Start	435 State Deaf	Other State Funds	Total 2020
<b>ASSETS AND OTHER DEBITS:</b>								
1110	Cash and Temporary Investments	\$	\$	\$	\$	\$	\$	\$ 0
	Receivables:							
1240	Due from Other Governments		2,102	5,751	80	8,044	35,698	260,735
1290	Other Receivables					85,972		85,972
1000	Total Assets	\$ <u>0</u>	\$ <u>2,102</u>	\$ <u>5,751</u>	\$ <u>80</u>	\$ <u>85,972</u>	\$ <u>8,044</u>	\$ <u>346,707</u>
<b>LIABILITIES:</b>								
	Current Liabilities:							
2160	Accrued Wages Payable	\$	\$ 303	\$	\$ 11,483	\$	\$	\$ 26,842
2170	Due to Other Funds	(33)	1,799	5,751	80	74,489	8,044	319,832
2300	Unearned Revenue	33						33
2000	Total Liabilities	\$ <u>0</u>	\$ <u>2,102</u>	\$ <u>5,751</u>	\$ <u>80</u>	\$ <u>85,972</u>	\$ <u>8,044</u>	\$ <u>346,707</u>
<b>FUND BALANCES:</b>								
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>
4000	Total Liabilities and Fund Balances	\$ <u>0</u>	\$ <u>2,102</u>	\$ <u>5,751</u>	\$ <u>80</u>	\$ <u>85,972</u>	\$ <u>8,044</u>	\$ <u>346,707</u>

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REGION 15 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	206 ESC Capacity Building 84.196A	211 ESEA T-I, Part A Support 84.010A	212 ESEA T-I, Part C Migrant 84.011A	225 IDEA Part B Preschool 84.173A	226 IDEA Part B Discretionary 84.027A	241 Child Nutrition 10.560	244 Career & Technical Education 84.048A	255 ESEA T-II, Part A Training 84.367A	263 ESEA T-III, Part A ELA 84.365A	276 Reading Academy/ Instructional 84.377A	288 CACFP 10.558	289 ESSA Basic Services 84.999
<b>REVENUES</b>												
5700 Local Revenue	\$	\$	\$	\$	\$ 6,420	\$	\$	\$	\$	\$	\$	\$
5800 State Revenue												
5900 Federal Program Revenue	<u>23,220</u>	<u>785,448</u>	<u>300,643</u>	<u>75,990</u>	<u>1,448,936</u>	<u>303,153</u>	<u>51,400</u>	<u>44,346</u>	<u>32,353</u>	<u>63,454</u>	<u>9,465</u>	<u>44,643</u>
5020 Total Revenues	<u>\$ 23,220</u>	<u>\$ 785,448</u>	<u>\$ 300,643</u>	<u>\$ 75,990</u>	<u>\$ 1,455,356</u>	<u>\$ 303,153</u>	<u>\$ 51,400</u>	<u>\$ 44,346</u>	<u>\$ 32,353</u>	<u>\$ 63,454</u>	<u>\$ 9,465</u>	<u>\$ 44,643</u>
<b>EXPENDITURES</b>												
0011 Instruction	\$	\$	\$	\$	\$ 56,357	\$	\$	\$	\$	\$	\$	\$
0013 Curriculum & Instructional Staff Dev.	23,220	785,448	300,242	75,990	1,395,611		51,400	30,238	32,353	63,454		
0035 Food Services											9,465	
0041 General Administration								6,208				
0051 Facilities Maintenance and Operations			401		3,388							
0062 School District Administrative Support						303,153		7,900				44,643
0093 Payments to Fiscal Agents/Members												
6030 Total Expenditures	<u>\$ 23,220</u>	<u>\$ 785,448</u>	<u>\$ 300,643</u>	<u>\$ 75,990</u>	<u>\$ 1,455,356</u>	<u>\$ 303,153</u>	<u>\$ 51,400</u>	<u>\$ 44,346</u>	<u>\$ 32,353</u>	<u>\$ 63,454</u>	<u>\$ 9,465</u>	<u>\$ 44,643</u>
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 15 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	289 Title IV Tech Assist/ Behavioral 84.424A	289 HELP Mental Health 84.148X	301 SSA-T-III, Part C Migrant 84.011A	315 IDEA Part B Deaf 84.027A	331 SSA - Career & Technical Basic Grant 84.048A	340 IDEA-C ECI 84.181A	350 SSA-T-III, Part A ELA 84.365A	385 Visually Impaired ESC SSVI	416 State Head Start	435 State Deaf	Other State Funds	Total 2020
<b>REVENUES</b>												
5700 Local Revenue	\$	\$	\$	\$	\$	\$	\$	\$	\$	932,679	\$	\$ 939,099
5800 State Revenue								123,507	573,100	193,070	135,510	1,025,187
5900 Federal Program Revenue	<u>74,404</u>	<u>412,254</u>	<u>121,006</u>	<u>40,342</u>	<u>233,907</u>	<u>492</u>	<u>76,503</u>		<u>560,504</u>			<u>4,702,463</u>
5020 Total Revenues	<u>\$ 74,404</u>	<u>\$ 412,254</u>	<u>\$ 121,006</u>	<u>\$ 40,342</u>	<u>\$ 233,907</u>	<u>\$ 492</u>	<u>\$ 76,503</u>	<u>\$ 123,507</u>	<u>\$ 2,066,283</u>	<u>\$ 193,070</u>	<u>\$ 135,510</u>	<u>\$ 6,666,749</u>
<b>EXPENDITURES</b>												
0011 Instruction	\$	\$	\$	\$ 11,723	\$	\$	\$	\$ 99,479	\$ 1,439,290	\$	\$	\$ 1,606,849
0013 Curriculum & Instructional Staff Dev.	74,404		121,006	28,619	233,907	492	76,503	24,028	626,691		131,510	4,075,116
0035 Food Services												9,465
0041 General Administration											4,000	10,208
0051 Facilities Maintenance and Operations									302			4,091
0062 School District Administrative Support		412,254										767,950
0093 Payments to Fiscal Agents/Members										193,070		193,070
6030 Total Expenditures	<u>\$ 74,404</u>	<u>\$ 412,254</u>	<u>\$ 121,006</u>	<u>\$ 40,342</u>	<u>\$ 233,907</u>	<u>\$ 492</u>	<u>\$ 76,503</u>	<u>\$ 123,507</u>	<u>\$ 2,066,283</u>	<u>\$ 193,070</u>	<u>\$ 135,510</u>	<u>\$ 6,666,749</u>
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>

REGION 15 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 Building Operations	751 Fleet Vehicles	752 Print Shop	754 NetXV Local	770 Data Services	
<b>ASSETS:</b>						
Current Assets:						
Due from Other Funds	\$ 191,530	\$ 406,786	\$ 371,797	\$ 57,381	\$ 195,318	\$ 1,222,812
Total Current Assets	\$ 191,530	\$ 406,786	\$ 371,797	\$ 57,381	\$ 195,318	\$ 1,222,812
Noncurrent Assets:						
Furniture and Equipment	\$ 123,282	\$ 374,194	\$	\$	\$	\$ 497,476
Accumulated Depreciation	(62,859)	(184,417)				(247,276)
Total Noncurrent Assets	\$ 60,423	\$ 189,777	\$ 0	\$ 0	\$ 0	\$ 250,200
Total Assets	\$ 251,953	\$ 596,563	\$ 371,797	\$ 57,381	\$ 195,318	\$ 1,473,012
<b>LIABILITIES:</b>						
Accounts Payable	\$ 100	\$	\$	\$	\$	\$ 100
Accrued Wages Payable	3,113					3,113
Total Liabilities	\$ 3,213	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,213
<b>NET POSITION:</b>						
Net Investment in Capital Assets	\$ 60,423	\$ 189,777	\$ 0	\$ 0	\$ 0	\$ 250,200
Unrestricted Net Position	188,317	406,786	371,797	57,381	195,318	1,219,599
Total Net Position	\$ 248,740	\$ 596,563	\$ 371,797	\$ 57,381	\$ 195,318	\$ 1,469,799

REGION 15 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 Building Operations	751 Fleet Vehicles	752 Print Shop	754 NetXV Local	770 Data Services	771 Personnel	
<b>REVENUES</b>							
Operating Revenues and Charges for Services	\$ 291,952	\$ 100,356	\$ 88,546	\$ 186,502	\$ 52,257	\$ 9,460,513	\$ 10,180,126
<b>OPERATING EXPENSES</b>							
Payroll Costs	\$	\$	\$	\$	\$	\$ 9,460,513	\$ 9,460,513
Professional and Contracted Services	331,980	86,159	102,260	144,327	27,766		692,492
Supplies and Materials	37,945	19,082	19,054	33,632			109,713
Other Operating Expense	46,523	468		1,777			48,768
Depreciation	7,179	77,427					84,606
Total Operating Expenses	\$ 423,627	\$ 183,136	\$ 121,314	\$ 179,736	\$ 27,766	\$ 9,460,513	\$ 10,396,092
Operating Income	\$ (131,675)	\$ (82,780)	\$ (32,768)	\$ 6,766	\$ 24,491	\$ 0	\$ (215,966)
<b>NON-OPERATING REVENUES (EXPENSES)</b>							
Insurance Recovery	\$	\$ 76,496	\$	\$	\$	\$	\$ 76,496
Total Non-operating Revenues (Expenses)	\$ 0	\$ 76,496	\$ 0	\$ 0	\$ 0	\$ 0	\$ 76,496
Income Before Transfers	\$ (131,675)	\$ (6,284)	\$ (32,768)	\$ 6,766	\$ 24,491	\$ 0	\$ (139,470)
Transfer In	50,000						50,000
Change in Net Position	\$ (81,675)	\$ (6,284)	\$ (32,768)	\$ 6,766	\$ 24,491	\$ 0	\$ (89,470)
Beginning Net Position - September 1, 2019	\$ 330,415	602,847	404,565	50,615	170,827		1,559,269
Ending Net Position - August 31, 2020	\$ 248,740	\$ 596,563	\$ 371,797	\$ 57,381	\$ 195,318	\$ 0	\$ 1,469,799

**OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION**

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

**CERTIFIED PUBLIC ACCOUNTANTS**

**PHONE: (806) 747-3806**

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**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 15 Education Service Center  
San Angelo, 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 15 Education Service 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 December 8, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Region 15 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 15 Education Service Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Region 15 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 15 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 L.L.P.*

Certified Public Accountants

Lubbock, Texas

December 8, 2020

**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 15 Education Service Center  
San Angelo, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Region 15 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 15 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 the 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 Region 15 Education Service Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, Region 15 Education Service Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

### **Report on Internal Control Over Compliance**

Management of Region 15 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Bolinger, Segars, Gilbert & Moss L.L.P.*

Certified Public Accountants

Lubbock, Texas

December 8, 2020

**FEDERAL FINANCIAL ASSISTANCE SECTION**

REGION 15 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:

Table with 2 columns: CFDA Number(s) and Name of Federal Program or Cluster. Rows include 84.027A (IDEA, Part B - Special Education Cluster) and 84.173A (IDEA, Part B Preschool - Special Education Cluster).

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 15 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 Findings/Noncompliance

N/A

REGION 15 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
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<u>Passed Through Texas Education Agency</u>				
ESEA Title I, Part A - Comprehensive School Support (211)	84.010A	196101407110015		\$ 222,689
ESEA Title I, Part A - School Improvement Facilitation (211)	84.010A	196101457110015		150,039
ESEA Title I, Part A - Basic Services (211)	84.010A	206101197110015		57,172
ESEA Title I, Part A - Tx Instructional Leader Expansion (211)	84.010A	206101457110015		36,344
ESEA Title I, Part A - ESC Texas Instructional Leader (211)	84.010A	206101507110015		19,403
ESEA Title I, Part A - Comprehensive School Support C2 (211)	84.010A	206101537110015		360,004
Total CFDA 84.010A				<u>\$ 845,651</u>
ESEA Title I, Part C - Migratory Children (212)	84.011A	206150027110015		\$ 323,687
SSA - ESEA Title I, Part C - Migratory Children (301)	84.011A	19615001226950		5,456
SSA - ESEA Title I, Part C - Migratory Children (301)	84.011A	20615001226950		124,825
Total CFDA 84.011A				<u>\$ 453,968</u>
Career and Technical - Tx Ecosystem Design Team (244)	84.048A	194200637110015	\$	\$ 4,732
Career and Technical - ESC CTE Admin PBM (244)	84.048A	204200107110015		37,506
Career and Technical - ESC CTE Leadership (244)	84.048A	204200097110015		13,102
SSA - Carl D. Perkins - Basic Grant (331)	84.048A	20420006226950	11,374	245,603
Total CFDA 84.048A			<u>\$ 11,374</u>	<u>\$ 300,943</u>
Equity Plan Support (255)	84.367A	196945647110015		\$ 8,505
Title II, Part A - Technical Assistance (255)	84.367A	196945747110015		4,000
Title II, Part A - Instructional Leadership Expansion (255)	84.367A	196945737110015		28,556
ESC Talent Management Strategy (255)	84.367A	206945757110005		6,684
Total CFDA 84.367A				<u>\$ 47,745</u>
Title III, Part A - English Language Acquisition Grants (263)	84.365A	206710027110015		\$ 34,833
SSA - English Language Acquisition Grants Title III ELA (350)	84.365A	19671001226950		4,188
SSA - English Language Acquisition Grants Title III ELA (350)	84.365A	20671001226950		78,179
Total CFDA 84.365A				<u>\$ 117,200</u>
Reading Academy Authorized Providers (276)	84.377A	166107387110015		61,510
ESC Instructional Continuity (276)	84.377A	176107417110015		6,807
Total CFDA 84.377A				<u>\$ 68,317</u>
Title IV, Part A - Technical Assistance (289)	84.424A	196801057110015		70,066
Title IV, Part A - Mental Behavior Health (289)	84.424A	196801107110015		10,041
Total CFDA 84.424A				<u>\$ 80,107</u>
IDEA-C ECI (340)	84.181A	203911012269503000		\$ 492
ESC Capacity Building Grant (206)	84.196A	194600087110015		\$ 25,000
Title I, Basic Services Initiative (289)	84.999	206000117110015		\$ 48,065
Total Passed Through Texas Education Agency			<u>\$ 11,374</u>	<u>\$ 1,987,488</u>
<u>Passed Through Texas Health and Human Services Commission</u>				
Special Education for Infants & Families with Disabilities (416)	84.181A	HHS000191200021		\$ 377,108
Total Passed Through Texas Health and Human Services Commission				<u>\$ 377,108</u>
<u>Direct Awards</u>				
HELP Mental Health (289)	84.184X	S184X190035	\$ 191,497	\$ 425,048
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 202,871</u>	<u>\$ 2,789,644</u>

REGION 15 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
<b>U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Region 14 Education Service Center</i>				
SSA - Head Start (294)	93.600	06CH7152-06-00	\$ 970,095	\$ 1,921,188
SSA - Head Start (294)	93.600	06CH011462-01-00		549,687
Total CFDA 93.600			<u>\$ 970,095</u>	<u>\$ 2,470,875</u>
Total Passed Through Region 14 Education Service Center			<u>\$ 970,095</u>	<u>\$ 2,470,875</u>
<i>Passed Through Texas Health and Human Services Commission</i>				
Every Student Succeeds Act/Preschool Development Grants	93.434	HHS000191200021		\$ 14,504
Total Passed Through Texas Health and Human Services Commission				<u>\$ 14,504</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 970,095</u>	<u>\$ 2,485,379</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Texas Department of Agriculture</i>				
Child Nutrition (241)	10.560	97170035015		\$ 38,736
Child Nutrition (241)	10.560	806780706		287,654
Total CFDA 10.560				<u>\$ 326,390</u>
EHS CACFP (288)	10.558	806780706		\$ 9,465
Total Passed Through Texas Department of Agriculture				<u>\$ 335,855</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>\$ 335,855</u>
<b>CLUSTER PROGRAMS</b>				
<b>Special Education Cluster (IDEA)</b>				
<i>U.S. Department of Education Passed Through Texas Education Agency</i>				
IDEA, Part B - FIEP and Charter Support (226)	84.027A	206600572269506681		\$ 1,065
IDEA, Part B - FIEP and Charter Support (226)	84.027A	206600572269506682		3,230
IDEA, Part B - Sensory Improvement (226)	84.027A	206600227110015		50,572
IDEA, Part B - ESC Liaison (226)	84.027A	206600657110015		138,710
IDEA, Part B - Leadership (226)	84.027A	206600567110015		660,819
IDEA, Part B - Access to General Education (226)	84.027A	206600587110015		64,425
IDEA, Part B - RDSFD Fiscal Agents (226)	84.027A	206600887110003		78,778
IDEA, Part B - Positive Behavior Support (226)	84.027A	206600597110015		19,483
IDEA, Part B - Small & Rural Schools (226)	84.027A	206600537110001		543,408
SSA - IDEA, Part B - Discretionary Deaf (315)	84.027A	206600112269506673		43,434
IDEA, Part B - Preschool (225)	84.173A	206610227110015		81,815
Total IDEA, Part B Passed Through Texas Education Agency				<u>\$ 1,685,739</u>
<i>U.S. Department of Education Passed Through Texas Health and Human Services Commission</i>				
IDEA, Part B - Discretionary (416)	84.027A	HHS000191200021		\$ 52,920
Total Special Education Cluster (IDEA)				<u>\$ 1,738,659</u>
<b>TANF Cluster</b>				
<i>U.S. Department of Health and Human Services Passed Through Texas Health and Human Services Commission</i>				
Temporary Assistance for Needy Families (416)	93.558	HHS000191200021		\$ 134,681
Total TANF Cluster				<u>\$ 134,681</u>
<b>Medicaid Cluster</b>				
<i>U.S. Department of Health and Human Services Passed Through Texas Health and Human Services Commission</i>				
Medicaid Administrative Claiming Program (416)	93.778	HHS000191200021		\$ 67,118
Total Medicaid Cluster				<u>\$ 67,118</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,172,966</u>	<u>\$ 7,551,336</u>

**REGION 15 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 15 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 15 Education Service Center has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.