

REGION ONE EDUCATION SERVICE CENTER

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

REGION ONE EDUCATION SERVICE CENTER
TABLE OF CONTENTS
AUGUST 31, 2023

TABLE OF CONTENTS

	EXHIBIT	PAGE
INTRODUCTORY SECTION		
Certificate of Board	-	v
FINANCIAL SECTION		
Independent Auditors' Report	-	2
Management's Discussion and Analysis	-	6
Basic Financial Statements		
<i>Government-wide Statements:</i>		
Statement of Net Position	A-1	17
Statement of Activities	B-1	19
<i>Governmental Fund Financial Statements:</i>		
Balance Sheet	C-1	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	C-2	21
Statement of Revenues, Expenditures, and Changes in Fund Balance	C-3	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	C-4	23
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Position	D-1	24
Statement of Revenues, Expenses, and Changes in Net Position	D-2	25
Statement of Cash Flows	D-3	26
<i>Fiduciary Fund Financial Statements:</i>		
Statement of Fiduciary Net Position	E-1	27
Statement of Changes in Fiduciary Net Position	E-2	28
Notes to the Financial Statements	-	29
Required Supplementary Information		
Schedule of Revenues, Expenditures, and Changes to Fund Balance Budget to Actual - General Fund	G-1	61
Schedule of the Center's Proportionate Share of the Net Pension Liability	G-2	62
Schedule of the Center's Pension Contributions to the Teacher Retirement System	G-3	64
Schedule of the Center's Proportionate Share of the Net OPEB Liability	G-4	66
Schedule of the Center OPEB Contributions – Teacher Retirement System	G-5	68
Notes to the Required Supplementary Information	-	70

REGION ONE EDUCATION SERVICE CENTER
TABLE OF CONTENTS - CONTINUED
AUGUST 31, 2023

TABLE OF CONTENTS - CONTINUED

Supplementary Information

Combining Balance Sheet - Non-Major Governmental Funds	H-1	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	H-2	78
Combining Statement of Net Position - Internal Service Funds	-	86
Combining Statement of Revenues, Expenses, and Changes in Net Position - Internal Service Funds	-	87
Combining Statement of Cash Flows - Internal Service Funds	-	88

SINGLE AUDIT SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	-	91
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	-	93
Schedule of Findings and Questioned Costs	-	97
Schedule of Expenditures of Federal Awards	K-1	107
Notes on Accounting Policies for Federal Awards	-	111
Management's Corrective Action Plan	-	112

INTRODUCTORY SECTION

(This page intentionally left blank)

CERTIFICATE OF BOARD

Region One Education Service Center
Name of Service Center

Hidalgo
County

108-950
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial and compliance reports of the above-named center were reviewed and (check one) approved disapproved for the fiscal year ended August 31, 2023 at a meeting of the Board of Directions of such service on the 20th day of February, 2024.


Signature of Board Secretary


Signature of Board President

(This page intentionally left blank)

FINANCIAL SECTION

(This page intentionally left blank)

The Right Choice.

BML

McAllen • Brownsville

Burton
McCumber
& Longoria, LLP
CPAs & Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Region One Education Service Center
Edinburg, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Region One Education Service Center (Center), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

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 the Center as of August 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note III, P to the financial statements, in 2023, the Center adopted new accounting guidance, GASB Statement No. 96, Subscription-Based Information Technology Arrangements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 11 and budgetary comparison information, pension information and other postemployment benefits information on pages 61 through 71 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The accompanying combining and individual nonmajor financial statements, as listed in the table of contents, and schedule of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *Texas Grant Management Standards for State Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other supplementary information, unless marked unaudited, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2024, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Burton McCah & Long, L.L.P.

McAllen, Texas
February 7, 2024

(This page intentionally left blank)

**REGION ONE EDUCATION SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Region One Education Service Center's annual financial report presents our discussion and analysis of the Center's financial performance during the fiscal year ended August 31, 2023. Please read it in conjunction with the Center's financial statements, which follow this section.

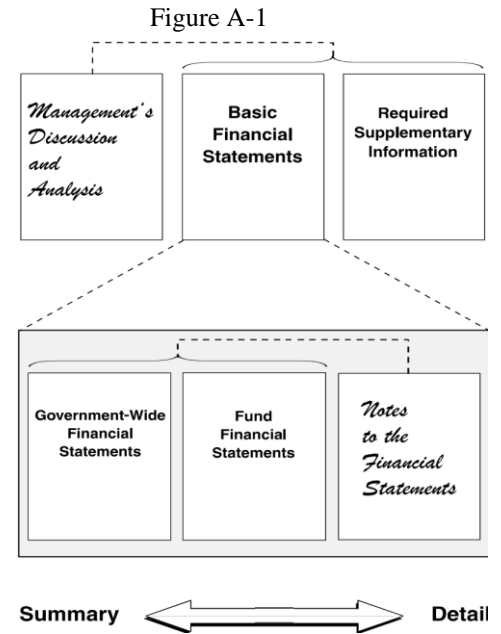
FINANCIAL HIGHLIGHTS

- The Center's total combined net position was \$13,419,374 as of August 31, 2023, which is an increase of \$2,055,919 (net of prior period adjustments totaling \$249,900) or 18.00% as compared to August 31, 2022.
- During the year, the Center's expenses were \$1,806,829 less than the \$73,444,522 generated in local charges and other revenues for governmental activities.
- The general fund reported an excess of revenues over expenditures this year of \$1,485,499. There were transfers from the general fund to the proprietary funds in the amount of \$934,718. The net increase to the general fund was \$624,359 with an ending balance of \$27,759,902.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



**REGION ONE EDUCATION SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

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

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Financial 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 they have changed. Net position, the difference between the Center's assets, deferred outflows of resources and liabilities and deferred inflows of resources, 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.

The government-wide financial statements of the Center include the Governmental Activities. Most of the Center's basic services are included here, such as instruction, curriculum and staff development, school Center administrative support services and general administration. Grants and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Center's most significant funds—not the Center as a whole. Funds are accounting devices that the Center uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Board of Directors establishes other funds to control and manage money for particular purposes or to show that the Center is properly using certain grants and local sources.

**REGION ONE EDUCATION SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Center has the following kinds of funds:

- *Governmental funds*—Most of the Center’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Center’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the Center charges customers a fee generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide goods and services for the Center’s other programs and activities.
- *Fiduciary funds*—The Center is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The Center is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Center’s fiduciary activities are reported in a separate statement of fiduciary net 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

Net Position

The Center’s net position increased by 18.00%, to \$13,419,374 between the fiscal years 2022 and 2023 (See Table A-1).

**Table A-1
Net Position Summary**

	Governmental Activities	
	2023	2022
Current and Other Assets	\$ 37,194,874	\$ 32,574,112
Capital Assets	<u>20,308,234</u>	<u>20,650,957</u>
Total Assets	<u>57,503,108</u>	<u>53,225,069</u>
Deferred Outflows	<u>17,730,908</u>	<u>8,185,409</u>
Other Liabilities	5,102,666	2,541,712
Long-term Liabilities	<u>35,065,343</u>	<u>26,243,292</u>
Total Liabilities	<u>40,168,009</u>	<u>28,785,004</u>
Deferred Inflows	<u>21,646,633</u>	<u>21,262,019</u>
Net Investment in Capital Assets	14,167,052	13,958,196
Restricted	2,062,514	1,921,131
Unrestricted	<u>(2,810,192)</u>	<u>(4,515,872)</u>
Total Net Position	<u>\$ 13,419,374</u>	<u>\$ 11,363,455</u>

(1) Unrestricted net position showed a \$2.8 million deficit at the end of this year as a result of the implementation of GASB Statement No 75. This deficit represents a decrease of 37.8% from the prior year.

**REGION ONE EDUCATION SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Changes in Net Position

The Center's total revenues increased by 13.7% to \$73,444,522. A significant portion, 58.1%, of the Center's revenue comes from operating grants, while 39.6% relates to charges for services.

The total cost of all programs and services increased by 18.5% to \$71,637,693. Instruction and Curriculum and Instructional Staff Development 49.0% of these costs.

Governmental Activities

- Investment earnings increased by approximately 1019.5% due to the Center's investment strategy as interest rates increased and were more favorable in the investment pools. Charges for services increased by 12.5% from \$25,867,645 to \$29,104,299 that is attributable to new initiatives.
- Revenues increased by 13.68% from \$64,608,464 to \$73,444,522 and expenses increased 18.49% from \$60,460,259 to \$71,637,693. The center received new grants such as School Safety Grant, HTYPE Grant and Stem Link Grant. The center also saw an increase in the Pathways to the Future Grant and the Nursing Grant.
- Operating grants and contributions represent federal and state funds restricted for a specific program. The Center's operating grants, which include federal and state funds, increased by \$5,801,772 as compared to last year.

**Table A-2
Changes in Net Position**

	2023	2022
Program Revenues:		
Charges for Services	\$ 29,104,278	\$ 25,867,645
Operating Grants and Contributions	42,697,195	36,895,423
General Revenues:		
State Aid and Other Grants and Contributions	786,280	1,768,867
Investment Earnings	856,746	76,526
Miscellaneous Local Intermediate	23	3
Total Revenues	73,444,522	64,608,464
Program Expenses:		
Instruction	19,003,804	15,218,663
Instructional Resources and Media Services	1,359,778	1,332,115
Curriculum and Instructional Staff Development	16,150,138	15,724,978
Instructional Leadership	4,833,981	3,588,904
School Leadership	990,218	840,872
Guidance, Counseling and Evaluation Services	203,782	12,448
Health Services	1,728,616	223,551
Student (Pupil) Transportation	166	166
General Administration	3,763,771	2,786,160
Facilities Maintenance and Operations	4,050,211	2,817,759
Security and Monitoring Services	6,580	-
Data Processing Services	4,261,469	3,222,899
Community Services	719,904	588,403
School District Administrative Support (ESC)	7,116,535	4,830,283
Debt Service	204,034	229,641
Capital Outlay	-	4,400
Payments Related to SSA	7,244,706	9,039,017
Total Expenses	71,637,693	60,460,259
Increase (Decrease) in Net Position	1,806,829	4,148,205
Beginning Net Position	11,363,455	7,215,250
Restatement - Prior Period Adjustments	249,090	-
Ending Net Position	\$ 13,419,374	\$ 11,363,455

**REGION ONE EDUCATION SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-3 presents the cost of each of the Center's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local revenues.

- The cost of all *governmental* activities increased by 18.5% this year ending at \$71,637,693. Some of the cost was paid by those who directly benefited from the programs \$29,104,278 or by grants and contributions totaling \$42,697,195.

**Table A-3
Net Cost of Selected Center's Functions**

	Total Cost of Services		Net (Expenses) Revenues	
	2023	2022	2023	2022
Instruction	\$ 19,003,804	\$ 15,218,663	\$ 1,156,822	\$ 881,142
Curriculum and Instructional Staff Development	16,150,138	15,724,978	(178,757)	47,399
Payments Related to Shared Services Arrangements	7,244,706	9,039,017	-	1
School District Administrative Support (ESC)	7,116,535	4,830,283	(100,377)	251,493

FINANCIAL ANALYSIS OF THE CENTER'S FUNDS

Revenues from governmental fund types totaled \$75,424,539, an increase of 11.7% over the preceding year. The increase is attributable to new initiatives and other state mandates. Federal and state revenues increased by 13.4% and 93.7%, respectively. Total expenditures increased by \$9,318,864 or 14.5% as compared to the prior year.

General Fund Budgetary Highlights

Over the course of the year, the Center revised and the Board of Directors approved the budget on a monthly basis. Actual expenditures were \$7,715,902 below final budget amounts. Some local programs expended less than appropriations. On the other hand, resources available were \$409,306 under the final budgeted amount.

CAPITAL ASSETS

At August 31, 2023, the Center had invested \$20,308,234 in capital assets, including land, buildings, furniture and equipment and intangible right-to-use lease and subscription based IT arrangement assets (See Table A-4.) This amount represents a decrease of \$342,723 or 1.7% compared to the prior year. The decrease was attributed primarily to an increase in accumulated depreciation.

**Table A-4
Capital Assets**

	Governmental Activities	
	2023	2022
Land	\$ 212,653	\$ 212,653
Buildings and Improvements	35,443,474	34,921,572
Furniture and Equipment	2,730,148	2,384,922
Right-to-use Assets - Leases	704,726	239,165
Right-to-use Assets - SBITA	235,595	-
Total Assets at Historical Cost	39,326,596	37,758,312
Accumulated Depreciation	(19,018,362)	(17,107,355)
Net Capital Assets	<u>\$ 20,308,234</u>	<u>\$ 20,650,957</u>

More detailed information about the Center's capital assets is presented in the notes to the financial statements.

REGION ONE EDUCATION SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Texas Education Agency appropriated the same amount of state base funds and approximately the same federal funds to the Center for 2023-2024.

These indicators were taken into account when adopting the general fund budget for 2024. Amounts available for appropriation in the general fund budget are \$38,363,134 an increase of 7.62% over the final 2023 budget of \$35,648,443. The original budget for 2023-24 represents conservative figures.

Expenditures are budgeted to decrease by 7.49% to \$38,363,134 as compared to the final expenditure budget for 2023. The increase is also due to budgeting conservative amounts for new initiatives. If these estimates are realized, the Center's budgetary general fund balance is not expected to change by the close of 2024.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and investors and creditors with a general overview of the Center's finances and to demonstrate the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Center's Business Services Department at (956) 984-6290.

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank)

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF NET POSITION
AUGUST 31, 2023

Data Control Codes	<u>Primary Government</u> Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 8,090,235
1120 Current Investments	16,022,303
1240 Receivables from Other Governments	12,872,399
1291 Accounts Receivable	111,293
1300 Inventories	82,232
1410 Prepaid Items	16,412
Capital Assets Not Subject to Depreciation:	
1510 Land	212,653
Capital Assets Net of Depreciation:	
1520 Buildings, Net	19,476,795
1530 Furniture and Equipment, Net	362,495
1553 Right-to-use Assets - SBITA, Net	130,517
1559 Right-to-use Assets - Leases, Net	125,774
1000 Total Assets	<u>57,503,108</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to Pension Activities	9,939,540
1706 Deferred Outflow Related to Other Post-Employment Benefit Activities	7,791,368
1700 Total Deferred Outflows of Resources	<u>17,730,908</u>
LIABILITIES	
2110 Accounts Payable	2,635,917
2131 Due to CNP Co-op Members	169,764
2150 Payroll Deductions and Withholdings Payable	477,139
2160 Accrued Wages Payable	503,735
2180 Due to Other Governments	64,845
2300 Unearned Revenue	1,251,266
Noncurrent Liabilities:	
2501 Due Within One Year	789,980
2502 Due in More than One Year	5,225,744
2540 Net Pension Liability (Center's Share)	18,481,576
2545 Net Other Post-Retirement Benefit Liability (Center's Share)	10,568,043
2000 Total Liabilities	<u>40,168,009</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to Pension Activities	2,647,864
2606 Deferred Inflow Related to Other Post-Employment Benefit Activities	18,998,769
2600 Total Deferred Inflows of Resources	<u>21,646,633</u>
NET POSITION	
3200 Net Investment in Capital Assets	14,167,052
3450 Federal or State Grant Restriction	599,997
3490 Other Restricted Fund Balance	1,462,517
3600 Undesignated Fund Balance	(2,810,192)
3000 Total Net Position	<u>\$ 13,419,374</u>

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

(This page intentionally left blank)

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

Data Control Codes	1	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
		3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
Primary Government					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 19,003,804	\$ 6,985,008	\$ 13,175,618	\$ 1,156,822
12	Instructional Resources and Media Services	1,359,778	1,164,172	10,761	(184,845)
13	Curriculum and Instructional Staff Development	16,150,138	6,402,946	9,568,435	(178,757)
21	Instructional Leadership	4,833,981	873,129	3,888,518	(72,334)
23	School Leadership	990,218	-	992,754	2,536
31	Guidance, Counseling & Evaluation Services	203,782	-	66,157	(137,625)
33	Health Services	1,728,616	-	1,746,387	17,771
34	Student (Pupil) Transportation	166	-	-	(166)
41	General Administration	3,763,771	3,201,474	231,523	(330,774)
51	Facilities Maintenance and Operations	4,050,211	3,201,474	1,140,661	291,924
52	Security and Monitoring Services	6,580	-	-	(6,580)
53	Data Processing Services	4,261,469	2,619,387	734,430	(907,652)
61	Community Services	719,904	-	631,586	(88,318)
62	School District Administrative Support (ESC)	7,116,535	3,783,559	3,232,599	(100,377)
71	Debt Service - Principal	-	-	33,060	33,060
72	Debt Service - Interest on Long-Term Debt	204,034	582,086	-	378,052
81	Capital Outlay	-	291,043	-	291,043
93	Payments related to Shared Services Agreements	7,244,706	-	7,244,706	-
[TP]	TOTAL PRIMARY GOVERNMENT:	<u>\$ 71,637,693</u>	<u>\$ 29,104,278</u>	<u>\$ 42,697,195</u>	<u>\$ 163,780</u>
Data Control Codes					
SF	General Revenues:				
	State Aid - Formula Grants				756,762
GC	Grants and Contributions Not Restricted				29,518
IE	Investment Earnings				856,746
MI	Miscellaneous Local and Intermediate Revenue				23
TR	Total General Revenues				<u>1,643,049</u>
CN	Change in Net Position				1,806,829
NB	Net Position - Beginning				11,363,455
	Prior Period Adjustments				<u>249,090</u>
NE	Net Position - Ending				<u>\$ 13,419,374</u>

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

REGION ONE EDUCATION SERVICE CENTER
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes	10 General Fund	274 GEAR UP	Other Funds	Total Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 7,806,618	\$ -	\$ 141,951	\$ 7,948,569
1120	Current Investments	16,022,303	-	-	16,022,303
1240	Receivables from Other Governments	3,200,299	3,666,083	5,436,523	12,302,905
1290	Accounts Receivable	111,043	-	-	111,043
1260	Due from Other Funds	7,264,351	-	2,772,790	10,037,141
1410	Prepaid Items	2,676	13,332	-	16,008
1000	Total Assets	<u>\$ 34,407,290</u>	<u>\$ 3,679,415</u>	<u>\$ 8,351,264</u>	<u>\$ 46,437,969</u>
LIABILITIES					
2110	Accounts Payable	738,836	899,146	810,235	2,448,217
2131	Due to CNP Co-op Members	169,764	-	-	169,764
2150	Payroll Deductions and Withholdings Payable	477,139	-	-	477,139
2160	Accrued Wages Payable	434,186	5,626	58,699	498,511
2170	Due to Other Funds	4,581,626	2,774,643	4,586,662	11,942,931
2180	Due to Other Governments	61,727	-	3,118	64,845
2200	Accrued Expenditures	-	-	-	-
2300	Unearned Revenue	184,110	-	1,067,156	1,251,266
2000	Total Liabilities	<u>6,647,388</u>	<u>3,679,415</u>	<u>6,525,870</u>	<u>16,852,673</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3430	Prepaid Items	2,676	-	-	2,676
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restrictions	-	-	584,445	584,445
3490	Other Restricted Fund Balance	1,462,517	-	-	1,462,517
3500	Assigned for Program Services	6,442,065	-	71,829	6,513,894
3600	Unassigned Fund Balance	19,852,644	-	1,169,120	21,021,764
3000	Total Fund Balances	<u>27,759,902</u>	<u>-</u>	<u>1,825,394</u>	<u>29,585,296</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 34,407,290</u>	<u>\$ 3,679,415</u>	<u>\$ 8,351,264</u>	<u>\$ 46,437,969</u>

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

REGION ONE EDUCATION SERVICE CENTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2023

	Total Fund Balances - Governmental Funds	\$ 29,585,296
1	The assets and liabilities of the Center's internal service funds are consolidated into the statement of net position. The effect is an increase to net position.	2,605,625
2	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable.	20,132,663
3	Long-term liabilities including bonds and compensated absences are not due and payable in the current period and are not reported as liabilities in the funds.	(5,938,866)
4	Included in items related to debt is the recognition of the Center's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included deferred resources outflow in the amount of \$9,939,540, a deferred resources inflow in the amount of \$2,647,864, and a net pension liability in the amount of \$18,481,576. This resulted in a decrease in net position.	(11,189,900)
5	Included in items related to debt is the recognition of the Center's proportionate share of the net other post-employment benefits (OPEB) liability required by GASB 75. The net position related to TRS included deferred resources outflow in the amount of \$7,791,368, a deferred resources inflow in the amount of \$18,998,769, and a net OPEB liability in the amount of \$10,568,043. This resulted in a decrease in net position.	(21,775,444)
6	Net Position of Governmental Activities	<u>\$ 13,419,374</u>

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

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

Data Control Codes	10 General Fund	274 GEAR UP	Other Funds	Total Governmental Funds	
REVENUES:					
5700	Local and Intermediate Sources	\$ 29,071,883	-	\$ 339,595	\$ 29,411,478
5800	State Program Revenues	3,467,810	-	4,635,787	8,103,597
5900	Federal Program Revenues	2,699,444	15,905,129	19,304,891	37,909,464
5020	Total Revenues	<u>35,239,137</u>	<u>15,905,129</u>	<u>24,280,273</u>	<u>75,424,539</u>
EXPENDITURES:					
Current:					
11	Instruction	8,826,133	2,984,504	8,563,267	20,373,904
12	Instructional Resources and Media Services	1,342,773	-	-	1,342,773
13	Curriculum and Instructional Staff Development	7,895,520	4,097,405	5,152,690	17,145,615
21	Instructional Leadership	1,266,512	1,012,673	2,716,031	4,995,216
23	School Leadership	14,331	-	991,635	1,005,966
31	Guidance, Counseling and Evaluation Services	106,088	55,743	54,149	215,980
33	Health Services	-	-	1,746,388	1,746,388
41	General Administration	4,032,514	-	-	4,032,514
51	Facilities Maintenance and Operations	1,848,051	163,436	911,976	2,923,463
53	Data Processing Services	3,317,449	84,327	480,995	3,882,771
61	Community Services	88,377	406,227	244,961	739,565
62	School District Administrative Support Services	3,587,038	-	3,039,290	6,626,328
Debt Service:					
71	Principal on Long-Term Debt	717,352	3,983	29,077	750,412
72	Interest on Long-Term Debt	189,598	652	960	191,210
Capital Outlay:					
81	Facilities Acquisition and Construction	521,902	-	-	521,902
Intergovernmental:					
93	Payment to Fiscal Agent of SSA	-	7,096,179	148,527	7,244,706
6030	Total Expenditures	<u>33,753,638</u>	<u>15,905,129</u>	<u>24,079,946</u>	<u>73,738,713</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,485,499</u>	<u>-</u>	<u>200,327</u>	<u>1,685,826</u>
OTHER FINANCING SOURCES (USES):					
7913	Proceeds From Right-to-use Leased Assets	73,578	-	16,743	90,321
8911	Transfers out	(934,718)	-	-	(934,718)
7080	Total Other Financing Sources (Uses)	<u>(861,140)</u>	<u>-</u>	<u>16,743</u>	<u>(844,397)</u>
1200	Net Change in Fund Balances	624,359	-	217,070	841,429
0100	Fund Balance - (Beginning)	27,015,218	-	1,608,324	28,623,542
	Prior Period Adjustments	120,325	-	-	120,325
3000	Fund Balance - (Ending)	<u>\$ 27,759,902</u>	<u>\$ -</u>	<u>\$ 1,825,394</u>	<u>\$ 29,585,296</u>

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

REGION ONE EDUCATION SERVICE CENTER
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

	Total Net Change in Fund Balances - Governmental Funds	\$ 841,429
1	The District uses an internal service fund to charge the costs to appropriate functions in other funds. The net income of the internal service fund is reported with governmental activities.	488,208
2	Capital outlays are reported in the governmental funds as expenditures. In the statement of activities, the cost of the assets, \$840,417, is allocated over their useful lives as depreciation expense which totaled \$1,311,443 for the year.	(471,026)
3	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities. The following issuance of long-term debt was related to leases.	(90,321)
4	Principal repayment of long-term debt is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. During the year principal payments totaling \$624,777, \$35,652 and \$89,983 were made on loan, lease and SBITA liabilities, respectively.	750,412
5	GASB 68 requires that certain plan expenditures be de-expended and recorded as deferred resources outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,431,776. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net pension liability. This caused a decrease in net position totaling \$(1,440,335). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$(1,119,363). The net results is a decrease in the change in net position.	(1,127,923)
6	GASB 75 requires that certain plan expenditures be de-expended and recorded as deferred resources outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$356,709. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net OPEB liability. This caused a decrease in net position totaling \$(368,709). Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense (de-expense) increased the change in net position by \$1,427,837. The net results is an increase in the change in net position.	1,416,050
7	Change in Net Position of Governmental Activities	<u><u>\$ 1,806,829</u></u>

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

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2023

		Governmental Activities
		Total Internal Service Funds
ASSETS		
Current Assets:		
1110	Cash and Cash Equivalents	\$ 141,666
1240	Due from Other Governments	569,494
1260	Due from Other Funds	1,908,758
1291	Accounts Receivable	250
1300	Inventories	82,232
1410	Other Current Assets	-
1491	Security Deposits	404
	Total Current Assets	<u>2,702,804</u>
Non-current Assets		
Capital Assets		
1510	Land	
1520	Buildings and Buildings Improvements	85,813
1530	Furniture and Equipment	854,715
1559	Right-to-use SBITA	587,089
1570	Accumulated Depreciation	(1,352,046)
	Total Non-current Assets	<u>175,571</u>
	Total Assets	<u>2,878,375</u>
LIABILITIES		
Current Liabilities:		
2110	Accounts Payable	187,700
2160	Accrue Wages Payable	5,224
2170	Due to Other Funds	2,967
	Total Current Liabilities	<u>195,891</u>
Non-current Liabilities:		
Due Within One Year		
2130	Right-to-use Lease Liability	49,805
Due In More Than One Year		
2531	Right-to-use Lease Liability	27,054
	Total Non-current Liabilities	<u>76,859</u>
	Total Liabilities	<u>272,750</u>
NET POSITION		
3200	Net Investment in Capital Assets	98,712
3900	Unrestricted Net Position	2,506,913
	Total Net Position	<u>\$ 2,605,625</u>

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

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

	Governmental Activities
	Total Internal Service Funds
OPERATING REVENUES:	
Interfund Services	\$ 4,280,718
Local and Intermediate Sources	549,569
Total Operating Revenue	4,830,287
OPERATING EXPENSES:	
Curriculum and Staff Development	31,831
General Administration	11,373
Facilities Maintenance and Operations	2,805,004
Security and Monitoring Services	6,580
Data Processing Services	1,324,085
Interest Expense	12,824
School District Administrative Support Services	1,085,100
Total Operating Expenses	5,276,797
Operating Income (Loss) Before Transfers	(446,510)
TRANSFERS:	
Transfers In	934,718
Change in Net Position	488,208
Total Net Position - Beginning	2,116,700
Prior Period Adjustments	717
Total Net Position - Ending	\$ 2,605,625

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

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

	Governmental Activities <u>Total</u> Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 2,788,790
Cash Payments to Employees for Services	(2,492,355)
Cash Payments for Contracted Services	(1,552,787)
Cash Payments for Suppliers	(571,220)
Cash Payments for Other Operating Expenses	(154,180)
Net Cash Used In Operating Activities	<u>(1,981,752)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers from other funds	<u>934,718</u>
Net Cash Provided by Noncapital Financing Activities	<u>934,718</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Purchase of capital assets	(79,656)
Principal payments on leases	(250,156)
Net Cash Used by Capital and Related Financing Activities	<u>(329,812)</u>
Net Decrease in Cash and Cash Equivalents	(1,376,846)
Cash and Cash Equivalents at Beginning of Year	<u>1,518,512</u>
Cash and Cash Equivalents at End of Year	<u>\$ 141,666</u>
<u>Reconciliation of Operating Income to Net Cash Used In Operating Activities:</u>	
Operating Income (Loss):	\$ (446,510)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:	
Depreciation expense	313,329
Effects of Increases and Decreases in Current Assets and Liabilities:	
(Increase) Decrease in Due from Other Governments	(41,582)
(Increase) Decrease in Due from Other Funds	(1,601,542)
(Increase) Decrease in Inventories	466
Increase (Decrease) in Accounts Payables	187,698
Increase (Decrease) in Accrued Wages Payable	5,224
Increase (Decrease) in Due to Other Funds	<u>(398,835)</u>
Net Cash Used In Operating Activities	<u>\$ (1,981,752)</u>

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

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2023

	Private Purpose Trust Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 146,822
Receivables	12,025
Prepaid Items	-
Total Assets	<u>158,847</u>
LIABILITIES	
Accounts Payable	206
Due to Activity Funds	158,641
Total Liabilities	<u>158,847</u>
NET POSITION	
Unrestricted Net Position	-
Total Net Position	<u>\$ -</u>

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

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2023

	Private Purpose Trust Funds
<hr/>	
ADDITIONS:	
Gifts and Bequest	\$ 8,000
Local Revenue Services Other Districts	121,796
	<hr/>
Total Additions	129,796
	<hr/>
DEDUCTIONS	
Community Services	8,000
School District Administrative Support Services	121,796
	<hr/>
Total Deductions	129,796
	<hr/>
Change in Net Position	-
Total Net Position - Beginning	(91,013)
Prior Period Adjustments	91,013
	<hr/>
Total Net Position - Beginning - Restated	-
Total Net Position - Ending	\$ -
	<hr/> <hr/>

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

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Region One Education Service Center (the “Center”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. The Board of Directors (“Board”), a seven-member group, has governance responsibilities over all activities related to educational services within the jurisdiction of the Center. The Center prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement No. 76, it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board is elected by the member school boards, which in turn are elected by the public. All powers and duties not specifically delegated by statute to the Texas Education Agency (“TEA”) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The Center receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the Center is not included in any other governmental “reporting entity” as defined by the GASB and there are no component units within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Center with the interfund activities removed. *Governmental activities* include programs supported primarily by grants, state foundation funds and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the Center operates have shared in the payment of the direct costs. The “charges for services” column include payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the Center.

The Center provides executive, administrative, instructional and business support services in the form of staff development to school Centers within the service area. The “grants and contributions” column includes amounts paid by organizations outside the Center to help meet the operational or capital requirements of a given function. Examples include grants through the Department of Education, Department of Health & Human Services, Texas Education Agency, Texas Workforce Commission, Texas Department of Agriculture and Early Childhood Intervention. If revenue is not program revenue, it is general revenue used to support all of the Center’s functions.

Interfund activities between governmental funds appear as due to/due 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 between governmental funds and internal service funds are eliminated on the government-wide statements.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for Center operations, they are not included in the government-wide statements. The Center considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The Center considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of workshop fees, and co-op consortium membership fees. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The Center applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Fiduciary funds include Private Purpose Trust Funds. Data from fiduciary funds are not included in the government-wide statements.

D. BASIS OF PRESENTATION – FUND ACCOUNTING

The Center reports the following major governmental funds:

1. **General Fund** - is used to account for financial resources used for general operations. This is a budgeted fund, and any fund balances are considered resources available for current operations. All revenues and expenditures not required to be accounted for in other funds, are accounted for in this fund.
2. **GEAR UP** - is used to account for resources restricted to or designated for the implementation and monitoring of the student's academic progress.

Additionally, the Center reports the following fund types:

Governmental Funds:

1. **Special Revenue Funds** - are used to account for resources restricted to specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. **Capital Projects Fund** – is used to account for expenditures of resources accumulated from loan and interest earnings for the acquisition and construction of facilities.
3. **Permanent Funds** - is used to account for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the Center's programs. The Center has no Permanent Funds.

Proprietary Funds:

1. **Internal Service Funds** - are used to account for revenues and expenses related to services provided to organizations inside the Center on a cost reimbursement basis are accounted for in an internal service fund.

Fiduciary Funds:

1. **Private Purpose Trust Fund** - are used to account for donations, which have stipulations that the principal may not be expended; and the income earned may only be used for a specific purpose. The Center's Private Purpose Trust Funds are the Region One School Board Association and RGV Association of School Librarians.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the Center considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Inventories of supplies on the balance sheet are stated at weighted average cost and they include consumable maintenance, instructional and office items. Supplies are recorded as expenditures when they are consumed.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The Center implemented GASB 87 for reporting leases during this reporting period. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87 and must meet the capitalization level set by the Board. The right-to-use lease liability is reported in the government wide statements and in proprietary fund statements. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. With GASB 87, the initial measure of a new right-to-use lease arrangement is reported in governmental fund types as another source during the current period. Monthly payments are reported as principal and interest payments during the reporting period in the fund level statements.

4. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities' columns in the government-wide financial statements. Capital assets are defined by the Center as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The right-to-use lease asset capitalization level is determined by the Board. The term of the lease must be the non-cancelable period during which the Center has the right to use the tangible assets of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

5. If the lease is in a governmental fund, the full amount of the lease asset will be reported as an expenditure in the fund level statements the year the agreement is made. Note with existing contracts that were evaluated as leases for this year of implementation, the recording of the lease asset and liability would not be reported in governmental fund statements but would be reported in the government-wide statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture and equipment of the Center are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	30
Vehicles	6
Office Furniture and Equipment	3-5
Computer Equipment	3
Right-to-use Leased Assets	3-12
Right-to-use Subscription IT Assets	3-5

6. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change for future construction needs.
7. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Center is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:
 - **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
 - **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution by the Board. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of non-spendable and restricted fund balances since that practice would commit funds that the Center does not have. Board commitments must occur before the end of the reporting period with amounts to be determined subsequently.
- Assigned: This classification includes amounts that are constrained by the Center's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or the Executive Director.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

The order of spending and availability shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned.

8. In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.
9. In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows, or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.
10. Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
11. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school Centers and service centers to display these codes in the financial statements filed with the agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

12. The Center is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year, the Center purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.
13. Indirect expenses are charged upon a service center-wide cost allocation plan, which allocates these costs based upon the number of full time equivalents.
14. Sometimes the Center will fund outlays for a particular purpose from both restricted and unrestricted (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Center's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.
15. Pensions - The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
16. Other Post-Employment Benefits - The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

A. BUDGETARY DATA

The Board of Directors adopts an "appropriated budget" for the General Fund. The Center is required to present the adopted and final amended budgeted revenues and expenditures. The Center compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1.

1. Prior to August 20th, the Center prepares a budget for the next succeeding fiscal year beginning September 1st. The operating budget includes proposed expenditures and the means of financing them.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. BUDGETARY DATA (Continued)

2. A meeting of the Board is then called for the purpose of adopting the proposed budget. Public notice of the meeting must be given at least ten days prior to the meeting.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. During the year, the budget was amended, as necessary.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function or object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse on August 31st, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended August 31, 2023, general fund expenditures did not exceed appropriations for any function.

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The funds of the Center must be deposited and invested under the terms of contracts with the corresponding depository bank, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the Center's agent bank in an amount sufficient to protect the Center funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At August 31, 2023, the carrying value of the Center's deposits was \$8,237,053 while the bank balance was \$9,804,057. The Center's cash deposits at August 31, 2023 were entirely covered by FDIC insurance and pledged securities held by the Center's agent in the name of the Center.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Center to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, 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) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the Center to have independent auditors perform test procedures related to investment practices as provided by the Act. The Center is in substantial compliance with the requirements of the Act and with local policies.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "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 AAAM or an equivalent rating by at least one nationally recognized service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

For the year ended August 31, 2023, the Center invested in Texas Cooperative Liquid Assets Securities System ("Texas CLASS"), Lone Star Investment Pool ("Lone Star") and Texas Local Government Investment Pool ("TexPool").

Texas CLASS was created as a local government investment pool pursuant to Section 2256.016 of the Public Funds Investment Act. The investment pool strives to maintain a \$1 per share net asset value. Additionally, the pool does not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pool does not impose any liquidity or redemption gates.

Lone Star is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards, with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

The Center is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of \$1.00 per unit.

TexPool is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate the TexPool Portfolios. Pursuant to the TexPool Participation Agreement, administrative and investment services to the TexPool Portfolios are provided by Federated Investors, Inc., under an agreement with the Comptroller acting on behalf of the Trust Company.

As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in the TexPool Portfolios and other persons who do not have a business relationship with the TexPool Portfolios who are qualified to advise the TexPool Portfolios. The TexPool Portfolios are comprised of two investment alternatives: TexPool (which the Center is invested in) and TexPool Prime. Both funds seek to maintain a net asset value of \$1.00 value per unit and both are rated AAAM by Standard & Poor’s.

The Center’s investments, other than those which are obligations of or guaranteed by the U.S. government, are rated as to credit quality. At August 31, 2023, the Center’s investment balances are stated at fair value and weighted average maturity of these investments were as follows:

<u>Current Investments</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Percentage</u>
Texas CLASS	AAAM	10,193,739	76	64%
TexPool	AAAM	1,760,781	25	11%
Lone Star Investment Pool	AAAM	4,067,783	18	25%
		<u>\$ 16,022,303</u>		

The following is a reconciliation of the Center’s total cash and investments as of August 31, 2023:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents (Deposits)	\$ 8,090,231	\$ 146,822	\$ 8,237,053
Current Investments	16,022,303	-	16,022,303
Total	<u>\$ 24,112,534</u>	<u>\$ 146,822</u>	<u>\$24,259,356</u>

Custodial Credit Risk for Deposits – In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may be returned to it. State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the center complies with this law, it has no custodial credit risk for deposits.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk for Investments – For investments, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Center’s investments in the external investment pool are not exposed to custodial credit risk. External investment pools are not subject to custodial credit risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. As of August 31, 2023, the Center’s investments met this requirement.

Credit Risk – This is the risk that a security issuer may default on an interest or principal payment. State law limits investments in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The Center controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor’s (S&P) or Moody’s Investors service, or by investing in public fund investment pools rated no lower than AAA or AAAM. The Center’s investments for the current fiscal year met the required rating.

Interest-Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. To reduce interest rate risk, the Center’s policy uses the weighted average maturity for diversification.

Concentration Risk – This is the risk of loss attributed to the magnitude of a government’s investment in a single user. The Center’s investment policy allows for the Center’s investment portfolio to be composed of 100% of public funds investment pools operated by or on behalf of any local entities in Texas subject to the Public Funds Investment Act so long as the fund’s investments meet the overall maturity and diversity limitation as set forth in the policy. At August 31, 2023, Texas CLASS, TexPool and Lone Star made up 64%, 11% and 25%, respectively.

Foreign Currency Risk for Deposits – This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Center was not exposed to foreign currency risk.

B. DUE FROM OTHER GOVERNMENTS

The Center participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. Amounts due from federal and state governments as of August 31, 2023, are summarized below. Some federal grants shown below are passed through the Texas Education Agency and are reported on the financial statements as due from other governments.

Fund	State Entitlements	Federal Grants	Other Governments	Total
General Fund	\$ 94,812	\$ -	\$ 3,105,487	\$ 3,200,299
Gear Up		3,666,083	-	3,666,083
Other Funds	2,764,885	2,657,142	14,496	5,436,523
Internal Service Fund	-	-	569,494	569,494
	\$ 2,859,697	\$ 6,323,225	\$ 3,689,477	\$ 12,872,399

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of August 31, 2023 is as follows:

<u>Receivable Fund:</u>	<u>Total</u>	<u>Payable Fund:</u>	<u>Total</u>
General Fund	\$ 2,748,584	Gear Up Fund	\$ 2,748,584
General Fund	4,514,735	Nonmajor Special Revenue Funds	4,514,735
General Fund	1,032	Internal Service Fund	1,032
Nonmajor Special Revenue Funds	2,772,790	General Fund	2,772,790
Internal Service Fund	1,808,837	General Fund	1,808,837
Internal Service Fund	26,059	Gear Up Fund	26,059
Internal Service Fund	71,927	Nonmajor Special Revenue Funds	71,927
Internal Service Fund	<u>1,935</u>	Internal Service Fund	<u>1,935</u>
Total Due From Other Funds	<u>\$ 11,945,899</u>	Total Due To Other Funds	<u>\$11,945,899</u>

The outstanding balances between fund resulted mainly from the time lag between the dates that the transactions are recorded in the accounting system and payments between funds are made. Amounts are scheduled to be repaid within one year.

The general fund had transfers out totaling \$934,718 to the print shop fund for \$214,060 and computer operations fund for \$720,658.

D. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

As of August 31, 2023, the Center reevaluated the allowance for uncollectible accounts in the General Fund for outstanding accounts receivable balances. The Center’s accounts receivable balance within the general fund consists of \$111,043 with no allowance at year end.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the fiscal year ended August 31, 2023 was as follows:

	(As Previously Presented) Beginning Balance 09/01/22	Prior Period Adjustments	(Restated) Beginning Balance 09/01/22	Increases	(Retirements) and Transfers	Ending Balance 08/31/23
Governmental activities:						
Capital Assets, Not Being Depreciated:						
Land	\$ 212,653	\$ -	\$ 212,653	\$ -	\$ -	\$ 212,653
Total Capital Assets, Not Being Depreciated	212,653	-	212,653	-	-	212,653
Capital Assets, Being Depreciated:						
Buildings and Improvements	34,921,572	-	34,921,572	521,902	-	35,443,474
Furniture and Equipment	2,384,922	78,637	2,463,559	266,589	-	2,730,148
Right-to-use Assets						
Leases - Furniture and Equipment	239,165	448,818	687,983	16,743	-	704,726
SBITA	-	120,756	120,756	114,839	-	235,595
Total Capital Assets, Being Depreciated	37,545,659	648,211	38,193,870	920,073	-	39,113,943
Less Accumulated Depreciation For:						
Buildings and Improvements	(14,842,111)	-	(14,842,111)	(1,124,568)	-	(15,966,679)
Furniture and Equipment	(2,265,244)	-	(2,265,244)	(102,409)	-	(2,367,653)
Leases - Furniture and Equipment	-	(286,091)	(286,091)	(292,861)	-	(578,952)
SBITA	-	(144)	(144)	(104,934)	-	(105,078)
Total Accumulated Depreciation	(17,107,355)	(286,235)	(17,393,590)	(1,624,772)	-	(19,018,362)
Total Capital Assets, Being Depreciated, Net	20,438,304	361,976	20,800,280	(704,699)	-	20,095,581
Total Capital Assets, Net	\$ 20,650,957	\$ 361,976	\$ 21,012,933	\$(704,699)	\$ -	\$ 20,308,234

Depreciation expense was charged to governmental functions as follows:

11 Instruction	\$ 35,285
12 Instructional resources and media services	48,890
13 Curriculum and staff development	151,340
21 Instructional leadership	43,569
34 Student transportation	166
41 General administration	177,156
51 Plant, maintenance and operations	757,667
53 Data processing services	185,935
61 Community services	85,165
62 Other	139,599
Total depreciation expense - governmental activities	<u>\$ 1,624,772</u>

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. LONG-TERM OBLIGATIONS

Long-term obligations include loan payable, leases liability and SBITA liability. Changes in long-term obligations for the year ended August 31, 2023 are as follows:

<u>Governmental Activities</u>	Interest Rate Payable	Amounts Outstanding 09/01/22	Issued Current Year	Retired Current Year	Amounts Outstanding 08/31/23	Amounts Due in One Year
Loan Payable - Building Expansion	2.96%	\$ 6,440,060	\$ -	\$ (624,777)	\$ 5,815,283	\$ 644,946
Leases Liability	5.00% - 7.49%	402,355	16,743	(285,808)	133,290	80,337
SBITA Liability	1.71% - 3.24%	83,555	73,579	(89,983)	67,151	64,697
Total governmental activities		<u>\$ 6,925,970</u>	<u>\$ 90,322</u>	<u>\$(1,000,568)</u>	<u>\$ 6,015,724</u>	<u>\$ 789,980</u>

Loan Payable

In July 2022, the Center entered into a loan agreement for \$7,000,000 with Lone Star National Bank to finance the Center’s building expansion. The loan is a fixed rate loan with an interest rate of 2.96%. Interest only payments were due for the months of August 22, 2021 and September 22, 2021. Thereafter, principal and interest payments are due in monthly installments of \$67,604 from October 22, 2021 through August 22, 2031 with a final payment for any remaining unpaid principal and interest due on September 22, 2031. The loan is secured with two tracts of land.

The loan payable debt service requirements to maturity, including interest are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2024	\$ 644,946	\$ 166,306	\$ 811,252
2025	665,045	146,207	811,252
2026	685,298	125,954	811,252
2027	706,167	105,084	811,251
2028	727,443	83,808	811,251
2029-2031	2,386,384	115,251	2,501,635
	<u>\$ 5,815,283</u>	<u>\$ 742,610</u>	<u>\$ 6,557,893</u>

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. LONG-TERM OBLIGATIONS (Continued)

Leases Liability

The Center has entered into agreements to lease equipment and a building which have been accounted for in accordance with GASB Statement No. 87, *Leases*. The Center is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied in the lease which ranges from 5.00% to 7.49%.

The future principal and interest lease payments for governmental activities as of August 31, 2023 are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2024	\$ 64,697	\$ 1,565	\$ 66,262
2025	2,454	65	2,519
	<u>\$ 67,151</u>	<u>\$ 1,630</u>	<u>\$ 68,781</u>

Subscription Based Information Technology Arrangements (SBITA)

The Center has entered into arrangements for the right to use other party’s information technology software which have been accounted for in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The Center is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied in the SBITA which ranges from 1.71% to 3.24%.

The future principal and interest SBITA payments for governmental activities as of August 31, 2023, follow:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2024	80,337	\$ 5,767	\$ 86,104
2025	46,810	2,662	49,472
2026	6,143	64	6,207
	<u>\$ 133,290</u>	<u>\$ 8,493</u>	<u>\$ 141,783</u>

G. LITIGATION

From time to time, the Center is a defendant in legal proceedings relating to its operations. In the best judgment of the Center’s management, the outcome of any present legal proceedings will not have any adverse effect on the accompanying financial statements.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

H. COMMITMENTS AND CONTINGENCIES

The Center participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Center has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the Center, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

I. PROPERTY INSURANCE AND PERSONNEL BONDS

The Center carries insurance on the building in the amount of \$45,915,205. Contents and valuable papers and records to “Direct Physical loss, replacement cost Business Personal Property” in the amount of \$11,966,461. Vehicles are insured at actual cash value and each vehicle carries property damage and medical liability insurance as required by state law. All employees are bonded for \$1,000,000 each under blanket coverage. Premiums, although covering periods extending into subsequent years, are recorded as expenditures at the time of purchase.

J. DEFINED PENSION PLAN

Plan Description.

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

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

Pension Plan Fiduciary Net Position.

Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/about/publications.aspx>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

J. DEFINED PENSION PLAN (Continued)

Benefits Provided.

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered 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 unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

J. DEFINED PENSION PLAN (Continued)

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

	<u>Contribution Rates</u>
	<u>2023</u>
Member (Employee)	8.00%
Non-Employer Contributing Entity (State)	7.75%
Employers (Center)	1.70%
Current fiscal year employer contributions	\$ 1,431,776
Current fiscal year member contributions	\$ 2,523,096
NECE on-behalf contributions	\$ 1,779,999

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, there is a surcharge employer is subject to.

- All public schools, charter schools, and regional education service centers must contribute 1.70% of the member's salary beginning in fiscal year 2022, gradually increasing to 2.00% in fiscal year 2025.
- 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 ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

J. DEFINED PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost method	Individual Entry Age Normal
Inflation	2.30%
Single discount rate	2.91% as of August 31, 2022
Aging factors	Based on plan specific experience
Election rates	Normal Retirement: 62% participation prior to age 65 and 25% after age 65. Pre-65 retirees - 30% of pre-65 retirees are assumed to discontinue coverage at 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% including inflation
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions please see the actuarial valuation report dated November 12, 2021.

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

J. DEFINED PENSION PLAN (Continued)

The long-term rate of return on pension plan investments is 7.00%. 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 the System’s target asset allocation as of August 31, 2022 are summarized below:

Asset Class	Target Allocation** %	Long-Term Expected Arithmetic Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.60%	1.12%
Non-U. S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity*	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return*	0.00%	3.70%	0.00%
Stable Value Hedge	5.00%	3.40%	0.18%
Real Return:			
Real Estate	15.00%	4.10%	0.94%
Energy, natural resources & infrastructure infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
Risk Parity			
Risk Parity	8.00%	4.60%	0.43%
Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation expectation			2.70%
Volatility Drag****			-0.91%
Total	100.0%		8.21%

* Absolute return includes credit sensitive investments.

** Target allocations are based on the FY2022 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2022)

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

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

J. DEFINED PENSION PLAN (Continued)

Discount Rate Sensitivity Analysis.

The following table presents the Center’s net pension liability of the plan using the discount rate of 7.00%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Single Discount Rate (7.00%)	1% Increase (8.00%)
Center's proportional share of the net pension liability	\$28,750,325	\$18,481,576	\$10,158,273

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At August 31 2022, the Center reported a liability of \$18,481,576 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 net pension liability	\$ 18,481,576
State's proportionate share of the net pension liability associated with the Center	14,359,429
Total	\$ 32,841,005

The net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2021 thru August 31, 2022.

At August 31, 2022 the employer’s proportion of the collective net pension liability was 0.0311308345%, which was an increase of 0.0069530838% from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation

The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.

For the year ended August 31, 2022, the Center recognized pension expense of \$3,932,298 and revenue of \$1,372,599 for support provided by the State.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

J. DEFINED PENSION PLAN (Continued)

At August 31, 2022, the Center reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 267,981	\$ 402,933
Changes in actuarial assumptions	3,443,719	858,271
Differences between projected and actual investment earnings	1,825,920	-
Changes in proportion and differences between Center contributions and proportionate share of contributions	2,970,144	1,386,660
Contributions paid to TRS subsequent to the measurement date	1,431,776	-
Total	\$ 9,939,540	\$ 2,647,864

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

Year ended August 31,	Amount
2023	\$ 1,564,891
2024	929,853
2025	461,720
2026	2,345,228
2027	558,208
Thereafter	-
	\$ 5,859,900

K. 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 TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

OPEB Plan Fiduciary Net Position.

Detail information about the TRS-Care’s fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information.

That report may be obtained on the Internet at http://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided.

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

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

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

	TRS-Care Monthly Premium Rates	
	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

**or surviving spouse*

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 and education service centers based upon public school district and education service center’s payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

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 or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	2022
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding remitted by Employers	1.25%
Employer contributions (Center)	\$ 356,709
Member (Employee)	\$ 205,007
Non-employer contributing agency (State)	\$ 442,206

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS-Care OPEB program). When hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray COVID-19-related health care costs during fiscal year 2022.

Actuarial Assumptions.

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the total OPEB liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions:

- Demographic assumptions – The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of the Teacher Retirement System of Texas (TRS). The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.
- Mortality assumptions – The active rates were based on 90% of the RP-2024 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.
- Election rates – Normal retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65: 30% of pre-65 are assumed to discontinue coverage at age 65.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

Rates of Mortality	Rates of Disability
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2018.

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost method	Individual Entry Age Normal
Inflation	2.30%
Single discount rate	2.91% as of August 31, 2022
Aging factors	Based on plan specific experience
Election rates	Normal Retirement: 62% participation prior to age 65 and 25% after age 65. Pre-65 retirees - 30% of pre-65 retirees are assumed to discontinue coverage at 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% including inflation
Ad hoc post-employment benefit changes	None

Discount Rate

A single discount rate of 3.91% was used to measure the Total OPEB Liability. There was an increase of 1.96% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2021 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis.

The following schedule shows the impact of the Net OPEB Liability if the discounted rate used was 1% less than and 1% greater than the discount rate that was used (3.91%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate 2.91%	Current Single Discount Rate 3.91%	1% Increase in Discount Rate 4.91%
Center's proportional share of the net OPEB liability	\$12,460,561	\$10,568,043	\$9,034,861

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.

At August 31, 2022, the Center reported a liability of \$10,568,043 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 net OPEB liability	\$ 10,568,043
State's proportionate share of the net OPEB liability associated with the Center	12,891,352
Total	\$ 23,459,395

The Net OPEB liability was measured as of August 31, 2021, and rolled forward to August 31, 2022 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 OPEB relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

On August 31, 2022, the employer’s proportion of the collective Net OPEB Liability was 0.0441364886% which was an increase of 0.0077921279% from its proportion measured as of August 31, 2021.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Center's proportional share of the net OPEB liability	\$8,708,115	\$10,568,043	\$12,979,200

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 (TOL) since the prior measurement period:

- The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022. This change decreased the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date: There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2022, the Center recognized OPEB expense of \$(2,888,728) and revenue of \$(1,829,387) for support provided by the State.

On August 31, 2022, the Center reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 587,546	\$ 8,804,129
Changes in actuarial assumptions	1,609,722	7,342,048
Differences between projected and actual investment earnings	31,479	-
Changes in proportion and differences between Center contributions and the proportionate share of contributions	5,205,912	2,852,592
Contributions paid to TRS subsequent to the measurement date	356,709	-
Total	\$ 7,791,368	\$ 18,998,769

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

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

Year ended August 31,	OPEB Expense Amount
2024	\$ (2,269,246)
2025	(2,269,132)
2026	(1,820,981)
2027	(1,214,255)
2028	(1,501,158)
Thereafter	(2,489,338)
	<u>\$ (11,564,110)</u>

L. HEALTH CARE COVERAGE-ACTIVE EMPLOYEES

Plan Description

During the year ended August 31, 2023, employees of the Center were covered by a health insurance plan (the “Plan”). The Center paid premiums of \$618 per month per full-time employee, \$305 per month for part-time employee, respectively, to the Plan and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The Teachers Retirement System (TRS) manages TRS Active Care. The medical plan is administered by Blue Cross Blue Shield of Texas. Caremark administers the prescription drug plan. The latest financial information on the state-wide plan may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Medicare Part D

Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. As a result, this provision allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset pharmacy claims paid by TRS-Care on behalf of plan participants. These on-behalf payments of \$177,196, \$94,425, and \$102,192 were recognized for the years ended August 31, 2023, 2022, and 2021, respectively, as equal revenues and expenditures.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

M. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2023, the Center had no liability for accrued sick leave or vacation leave. The Center has restricted fund balance of \$1,462,517 in the General Fund for future compensated absences that may become due as employees become eligible for payment upon retirement.

N. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

O. SHARED SERVICE AGREEMENTS

The Center is the fiscal agent for a Shared Service Arrangement (“SSA”), which provides assistance to support various comprehensive professional development plans to the member Centers listed below. The fiscal agent provides all services. According to guidance provided in TEA’s Resource Guide, the Center has accounted for fiscal agent’s activities of the SSA in a special revenue fund and will be accounted for using Model 1 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

County District	Member Districts	Effective	Perkins	Title III Part A	Title III Part A
		Advising CTE	Reserve CTE	ELA - Immigrant	ELA
		331	338	Fund 350	350
024901	Brooks County ISD	\$ -	\$ -	\$ -	\$ 2,045
108905	Hidalgo ISD	-	81,085	-	-
124901	Jim Hogg ISD	-	-	-	4,894
108912	La Joya ISD	-	98,268	-	-
108914	La Villa ISD	-	-	-	6,434
245901	Lasara ISD	33,201	73,485	-	3,026
245902	Lyford ISD	-	69,519	-	-
108909	Pharr-San Juan-Alamo ISD	-	145,600	-	-
214903	Roma ISD	-	68,891	-	-
214902	San Isidro ISD	-	-	-	2,248
245904	San Perlita ISD	-	-	-	1,690
031914	Santa Rosa ISD	-	-	-	10,887
031916	South Texas ISD	33,201	-	-	-
071803	TRIUMPH-El Paso	-	-	-	3,129
240801	TRIUMPH-Laredo	-	-	-	6,785
108804	TRIUMPH-Rio Grande Valley	-	-	-	6,976
108916	Valley View ISD	-	54,061	-	-
108808	Vanguard Academy	-	78,277	3,000	-
240904	Webb Cons. ISD	-	-	-	1,587
		<u>\$ 66,402</u>	<u>\$ 669,186</u>	<u>\$ 3,000</u>	<u>\$ 49,701</u>

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

P. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

The following GASB pronouncements were applicable and effective during fiscal year 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)* was issued in May 2022 and was effective for periods beginning after June 15, 2022. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The Center has implemented this pronouncement. As such, the Center has incorporated such SBITAs into its capital assets and long-term liabilities on both the face of the financial statements and note disclosures.

Q. PRIOR PERIOD ADJUSTMENTS

Beginning balances were restated as follows:

	Governmental Activities	Governmental Funds	Internal Service Funds	Private Purpose Trust Fund
Beginning net position, as previously reported	\$ 11,363,455	\$ 28,623,542	\$ 2,116,700	\$ 91,013
To correct prior year foundation entitlement revenue that had been recognized in the current year.	120,325	120,325	-	-
To correct right-to-use leased assets and liabilities related to errors in prior year implementation of GASB Statement No. 87.	(1,180)	-	-	-
To correct right-to-use leased assets and liabilities related to errors in prior year implementation of GASB Statement No. 87.	717	-	717	-
To restate beginning balances for the current year implementation of GASB Statement No. 96.	37,056	-	-	-
To correct beginning balance on loan payable.	13,536	-	-	-
To correct beginning balance for furniture and equipment.	78,636	-	-	-
To correct accounting for private purpose trust funds.	-	-	-	(91,013)
	<u>\$ 11,612,545</u>	<u>\$ 28,743,867</u>	<u>\$ 2,117,417</u>	<u>\$ -</u>

R. SUBSEQUENT EVENTS

The Center has evaluated subsequent events through February 7, 2024, which is the date these financial statements were available to be issued. In October 2023, the Center acquired real property located in McAllen, Texas for \$2,076,217.

**REQUIRED SUPPLEMENTARY
INFORMATION**

(This page intentionally left blank)

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 28,622,089	\$29,939,173	\$29,071,883	\$ (867,290)
5800	State Program Revenues	2,564,104	4,509,270	3,467,810	(1,041,460)
5900	Federal Program Revenues	1,200,000	1,200,000	2,699,444	1,499,444
5020	Total Revenues	<u>32,386,193</u>	<u>35,648,443</u>	<u>35,239,137</u>	<u>(409,306)</u>
EXPENDITURES:					
Current:					
0011	Instruction	7,028,142	9,000,000	8,826,133	173,867
0012	Instructional Resources and Media Services	1,242,145	1,406,209	1,342,773	63,436
0013	Curriculum and Instructional Staff Development	7,912,801	8,633,531	7,895,520	738,011
0021	Instructional Leadership	1,966,164	1,781,187	1,266,512	514,675
0023	School Leadership	15,950	20,950	14,331	6,619
0031	Guidance, Counseling and Evaluation Services	-	109,708	106,088	3,620
0041	General Administration	4,529,986	4,873,515	4,032,514	841,001
0051	Facilities Maintenance and Operations	1,538,020	2,475,261	1,848,051	627,210
0053	Data Processing Services	3,767,204	3,910,100	3,317,449	592,651
0061	Community Services	131,059	135,600	88,377	47,223
0062	School District Administrative and Support Service	3,474,722	3,990,500	3,587,038	403,462
Debt Service:					
0071	Debt Service	780,000	2,482,000	906,950	1,575,050
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	2,650,000	521,902	2,128,098
6030	Total Expenditures	<u>32,386,193</u>	<u>41,468,561</u>	<u>33,753,638</u>	<u>7,714,923</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(5,820,118)</u>	<u>1,485,499</u>	<u>7,305,617</u>
1200	Net Change in Fund Balances	-	(5,820,118)	1,485,499	7,305,617
0100	Fund Balance - (Beginning)	<u>27,135,543</u>	<u>27,135,543</u>	<u>27,135,543</u>	<u>-</u>
3000	Fund Balance - (Ending)	<u>\$ 27,135,543</u>	<u>\$21,315,425</u>	<u>\$28,621,042</u>	<u>\$ 7,305,617</u>

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF THE CENTER'S CONTRIBUTIONS TO THE
TEACHER RETIREMENT SYSTEM
MEASUREMENT YEAR ENDED AUGUST 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Center's Proportion of the Net Pension Liability (Asset)	0.0311308345%	0.0241777507%	0.0284171895%	0.0270860673%
Center's Proportionate Share of Net Pension Liability (Asset)	\$ 18,481,576	\$ 6,157,217	\$ 15,219,667	\$ 14,080,185
States Proportionate Share of the Net Pension Liability (Asset) associated with the Center	<u>14,359,429</u>	<u>5,757,426</u>	<u>14,863,334</u>	<u>15,634,106</u>
Total	<u>\$ 32,841,005</u>	<u>\$ 11,914,643</u>	<u>\$ 30,083,001</u>	<u>\$ 29,714,291</u>
Center's Covered Payroll	\$ 27,095,109	\$ 22,532,195	\$ 30,083,001	\$ 29,714,291
Center's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	68.21%	27.33%	50.59%	47.39%
Plan Fiduciary Net Position as a % of Total Pension Liability	75.62%	88.79%	75.54%	75.24%

Note: Only nine years of data is presented in accordance with GASB Statement No. 68, paragraph 138. "The information for all periods for the 10 year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

EXHIBIT G-2

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.0273298053%	0.0259707919%	0.0245953645%	0.0254251000%	0.0149510000%
\$ 15,042,988	\$ 8,304,060	\$ 9,294,223	\$ 8,987,434	\$ 3,993,619
<u>18,014,742</u>	<u>10,117,370</u>	<u>11,407,472</u>	<u>9,336,464</u>	<u>7,143,012</u>
<u>\$ 33,057,730</u>	<u>\$ 18,421,430</u>	<u>\$ 20,701,695</u>	<u>\$ 18,323,898</u>	<u>\$ 11,136,631</u>
\$ 33,057,730	\$ 18,421,430	\$ 20,701,695	\$ 18,323,898	\$ 11,136,631
45.51%	45.08%	44.90%	49.05%	35.86%
73.74%	82.17%	78.00%	78.43%	83.25%

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF THE CENTER'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE FISCAL YEAR ENDED AUGUST 31,

	2023	2022	2021	2020
Contractually Required Contribution	\$ 1,431,776	\$ 1,440,335	\$ 1,025,783	\$ 1,164,197
Contribution in Relation to Contractually Required Contribution	(1,431,776)	(1,440,335)	(1,025,783)	(1,164,197)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center's Covered Payroll	\$ 31,538,683	\$ 37,003,448	\$ 22,532,195	\$ 25,786,574
Contributions as a % of Covered Payroll	4.54%	3.89%	4.55%	4.51%

Note: Only nine years of data is presented in accordance with GASB Statement No. 68, paragraph 138. "The information for all periods for the 10 year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 941,542	\$ 938,478	\$ 851,178	\$ 781,457	\$ 752,848
<u>(941,542)</u>	<u>(938,478)</u>	<u>(851,178)</u>	<u>(781,457)</u>	<u>(752,848)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 24,463,793	\$ 24,571,186	\$ 22,556,245	\$ 20,618,432	\$ 18,328,960
3.85%	3.82%	3.77%	3.79%	4.11%

REGION ONE EDUCATION SERVICE CENTER
 SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE MEASUREMENT YEARS ENDED AUGUST 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Center's Proportion of the Net OPEB Liability (Asset)	0.044136489%	0.036344361%	0.042276640%
Center's Proportionate Share of the Net OPEB Liability (Asset)	\$ 10,568,043	\$ 14,019,644	\$ 16,071,260
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the Center	<u>12,891,352</u>	<u>18,783,199</u>	<u>21,595,921</u>
Total	<u>\$ 23,459,395</u>	<u>\$ 32,802,843</u>	<u>\$ 37,667,181</u>
Center's Covered Payroll	\$ 27,095,109	\$ 37,003,488	\$ 22,532,195
Center's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	39.00%	37.89%	71.33%
Plan Fiduciary Net Position as a % of Total OPEB Liability	11.52%	6.18%	4.99%

Note: Only six years of data is presented in accordance with GASB Statement No. 75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<u>2019</u>	<u>2018</u>	<u>2017</u>
0.040770121%	0.040684660%	0.039181105%
\$ 19,280,688	\$ 20,314,223	\$ 17,038,393
<u>25,619,724</u>	<u>15,721,741</u>	<u>13,398,780</u>
<u>\$ 44,900,412</u>	<u>\$ 36,035,964</u>	<u>\$ 30,437,173</u>
\$ 25,786,574	\$ 36,035,964	\$ 30,437,173
74.77%	56.37%	55.98%
2.66%	1.57%	0.91%

REGION ONE EDUCATION SERVICE CENTER
 SCHEDULE OF CENTER'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE FISCAL YEAR ENDED AUGUST 31,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contribution	\$ 356,709	\$ 368,496	\$ 278,298
Contribution in Relation to Contractually Required Contribution	<u>(356,709)</u>	<u>(368,496)</u>	<u>(278,298)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center's Covered Payroll	\$ 31,538,683	\$ 37,003,488	\$ 22,532,195
Contributions as a % of Covered Payroll	1.13%	1.00%	1.24%

Note: Only six years of data is presented in accordance with GASB Statement No. 75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 314,010	\$ 281,740	\$ 282,885
<u>(314,010)</u>	<u>(281,740)</u>	<u>(282,885)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 25,786,574	\$ 24,463,793	\$ 24,931,186
1.22%	1.15%	1.13%

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

Budgetary Information

The Board of Trustees adopts an “appropriated budget” for the General Fund. The Center is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds. The Center compares the final amended budget to actual revenue and expenditures. The Center presented the General Fund budgetary comparison schedule as required supplementary information.

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

1. Prior to August 20th, the Center prepares a budget for the next succeeding fiscal year beginning September 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the Center has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31st, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget. The Center had no outstanding end of year encumbrances.

SUPPLEMENTARY INFORMATION

REGION ONE EDUCATION SERVICE CENTER
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2023

Data Control Codes	206 ESEA III	211 ESEA T-1A Improving Basic Pro	212 ESEA T-1C Migratory Children	220 Adult Ed Program
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240 Receivables from Other Governments	36,289	185,724	515,654	988,367
1260 Due from Other Funds	-	-	-	-
1000 Total Assets	<u>\$ 36,289</u>	<u>\$ 185,724</u>	<u>\$ 515,654</u>	<u>\$ 988,367</u>
LIABILITIES				
2110 Accounts Payable	\$ 3,448	\$ 3,142	\$ 8,713	\$ 45,014
2160 Accrued Wages Payable	-	6,156	1,714	47,963
2170 Due to Other Funds	32,841	176,426	505,227	895,390
2180 Due to Other Governments	-	-	-	-
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>36,289</u>	<u>185,724</u>	<u>515,654</u>	<u>988,367</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restrictions	-	-	-	-
3500 Assigned for Construction	-	-	-	-
3600 Unassigned Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 36,289</u>	<u>\$ 185,724</u>	<u>\$ 515,654</u>	<u>\$ 988,367</u>

EXHIBIT H-1
(Continued)

225	226	241	244	255	263	266	278
IDEA B - PRESCHOOL	IDEA B DISCRETION ARY	ESC Food and Nutrition	C&T - Basic Grant	ESEA II,A Training & Recruitment	Title III, A English Lang. Acquisition	ESSER - School Emergency Relief - CARES	ESSER (ARP) Homeless Children
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
57,995	129,238	344,943	12,395	1,960	54,859	-	-
-	-	-	-	-	-	-	-
\$ 57,995	\$ 129,238	\$ 344,943	\$ 12,395	\$ 1,960	\$ 54,859	\$ -	\$ -
\$ 5,310	\$ 3,085	\$ 4,606	\$ 1,400	\$ -	\$ 10,759	\$ -	\$ -
-	-	-	-	-	-	-	-
52,685	126,153	340,337	10,995	1,960	44,100	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
57,995	129,238	344,943	12,395	1,960	54,859	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 57,995	\$ 129,238	\$ 344,943	\$ 12,395	\$ 1,960	\$ 54,859	\$ -	\$ -

REGION ONE EDUCATION SERVICE CENTER
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2023

Data Control Codes	281	282	287	288
	ESSER II CRRSA Act Supplemental	ESSER III ARP Act	FEDERAL	SRF
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	111,525	355,986	66,550
1260	Due from Other Funds	-	-	-
1000	Total Assets	<u>\$ 111,525</u>	<u>\$ 355,986</u>	<u>\$ 66,550</u>
LIABILITIES				
2110	Accounts Payable	\$ 1,425	\$ 136,515	\$ 3,518
2160	Accrued Wages Payable	-	-	1,518
2170	Due to Other Funds	110,100	219,471	61,514
2180	Due to Other Governments	-	-	-
2300	Unearned Revenue	-	-	-
2000	Total Liabilities	<u>111,525</u>	<u>355,986</u>	<u>66,550</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restrictions	-	-	-
3500	Assigned for Construction	-	-	-
3600	Unassigned Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 111,525</u>	<u>\$ 355,986</u>	<u>\$ 66,550</u>

EXHIBIT H-1
(Continued)

289	331	338	350	385	405	410	429
Other Federal SRF	SSA- Career & Technical Work Force SRF	SSA ESEA III, A English Lang. Acquisition	Visually Impaired SSVI	ESC Gifted and Talented	State Ins. Material	Other State SRF	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
881,322	23,556	270,513	51,509	77,271	898	-	279,537
-	-	-	-	-	-	-	-
<u>\$ 881,322</u>	<u>\$ 23,556</u>	<u>\$ 270,513</u>	<u>\$ 51,509</u>	<u>\$ 77,271</u>	<u>\$ 898</u>	<u>\$ -</u>	<u>\$ 279,537</u>
\$ 390,090	\$ 3,231	\$ 45,082	\$ 25,412	\$ 4,830	\$ -	\$ -	\$ 28,136
-	-	-	-	-	-	-	1,348
491,232	17,207	225,431	26,097	72,441	898	-	250,053
-	3,118	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>881,322</u>	<u>23,556</u>	<u>270,513</u>	<u>51,509</u>	<u>77,271</u>	<u>898</u>	<u>-</u>	<u>279,537</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 881,322</u>	<u>\$ 23,556</u>	<u>\$ 270,513</u>	<u>\$ 51,509</u>	<u>\$ 77,271</u>	<u>\$ 898</u>	<u>\$ -</u>	<u>\$ 279,537</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2023

Data Control Codes	482 Financial Literacy	483 T-STEAM Training	485 School Safety	487 ECI State
ASSETS				
1110	\$ -	\$ -	\$ 5,895	\$ -
1240	-	-	525	975,939
1260	60,043	161,933	-	-
1000	<u>\$ 60,043</u>	<u>\$ 161,933</u>	<u>\$ 6,420</u>	<u>\$ 975,939</u>
LIABILITIES				
2110	\$ -	\$ -	\$ 1,488	\$ 83,067
2160	-	-	-	-
2170	-	-	-	876,504
2180	-	-	-	-
2300	-	-	-	-
2000	<u>-</u>	<u>-</u>	<u>1,488</u>	<u>959,571</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	60,043	161,933	-	-
3500	-	-	-	-
3600	-	-	4,932	16,368
3000	<u>60,043</u>	<u>161,933</u>	<u>4,932</u>	<u>16,368</u>
4000	<u>\$ 60,043</u>	<u>\$ 161,933</u>	<u>\$ 6,420</u>	<u>\$ 975,939</u>

EXHIBIT H-1
(Concluded)

490		491		499		698	
Chapter 41	STAAR One Item Bank	Other Local SRF	Capital Projects	Total Other Funds			
\$ 64,227	\$ -	\$ -	\$ 71,829	\$ 141,951			
-	4,868	9,100	-	5,436,523			
105,773	219,302	2,225,739	-	2,772,790			
<u>\$ 170,000</u>	<u>\$ 224,170</u>	<u>\$ 2,234,839</u>	<u>\$ 71,829</u>	<u>\$ 8,351,264</u>			
\$ -	\$ -	\$ 1,964	\$ -	810,235			
-	-	-	-	58,699			
-	-	49,600	-	4,586,662			
-	-	-	-	3,118			
-	-	1,067,156	-	1,067,156			
-	-	1,118,720	-	6,525,870			
170,000	-	192,469	-	584,445			
-	-	-	71,829	71,829			
-	224,170	923,650	-	1,169,120			
<u>170,000</u>	<u>224,170</u>	<u>1,116,119</u>	<u>71,829</u>	<u>1,825,394</u>			
<u>\$ 170,000</u>	<u>\$ 224,170</u>	<u>\$ 2,234,839</u>	<u>\$ 71,829</u>	<u>\$ 8,351,264</u>			

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

Data Control Codes	206 ESEA III	211 ESEA T-1A Improving Basic Pro	212 ESEA T-1C Migratory Children
REVENUES:			
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	49,824	1,219,374	1,711,523
5020 Total Revenues	<u>49,824</u>	<u>1,219,374</u>	<u>1,711,523</u>
EXPENDITURES:			
Current:			
11 Instruction	23,300	-	112,735
13 Curriculum and Instructional Staff Development	-	789,686	300,859
21 Instructional Leadership	-	175,262	123,268
23 School Leadership	-	-	-
31 Guidance, Counseling and Evaluation Services	-	-	-
33 Health Services	-	-	-
51 Facilities Maintenance and Operations	725	46,321	83,918
53 Data Processing Services	479	25,472	30,583
61 Community Services	-	-	56,544
62 School District Administrative Support Services	25,320	182,633	1,009,083
Debt Service:			
71 Principal on Long Term-Debt	-	-	1,302
72 Interest on Long-Term Debt	-	-	82
Intergovernmental:			
93 Payment to Fiscal Agent of SSA	-	-	-
6030 Total Expenditures	<u>49,824</u>	<u>1,219,374</u>	<u>1,718,374</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(6,851)
OTHER FINANCING SOURCES (USES):			
7913 Proceeds From Right-to-use Leased Assets	-	-	6,851
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>6,851</u>
1200 Net Change in Fund Balances	-	-	-
0100 Fund Balance - (Beginning)	-	-	-
Prior Period Adjustments	-	-	-
3000 Fund Balance - (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT H-2
(Continued)

220	225	226	241	244	255
Adult Ed Program	IDEA B - PRESCHOOL	IDEA B DISCRETIONARY	ESC Food and Nutrition	C&T - Basic Grant	ESEA II,A Training & Recruitment
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
551,620	-	-	-	-	-
3,248,074	234,891	642,458	659,909	52,702	90,435
<u>3,799,694</u>	<u>234,891</u>	<u>642,458</u>	<u>659,909</u>	<u>52,702</u>	<u>90,435</u>
2,308,850	-	-	-	-	-
1,793	214,765	557,433	-	49,491	88,917
181,205	-	-	-	-	-
991,635	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
209,039	14,354	21,039	45,878	1,628	-
96,041	5,772	63,986	15,737	1,583	-
-	-	-	-	-	-
-	-	-	598,294	-	1,518
10,568	-	-	-	-	-
563	-	-	-	-	-
-	-	-	-	-	-
<u>3,799,694</u>	<u>234,891</u>	<u>642,458</u>	<u>659,909</u>	<u>52,702</u>	<u>90,435</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES– NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

Data Control Codes	263	266	278
	Title III, A English Lang. Acquisition	ESSER - School Emergency Relief - CARES	ESSER (ARP) Homeless Children
REVENUES:			
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	146,342	8,065	53,557
5020 Total Revenues	<u>146,342</u>	<u>8,065</u>	<u>53,557</u>
EXPENDITURES:			
Current:			
11 Instruction	-	-	26,500
13 Curriculum and Instructional Staff Development	146,342	-	-
21 Instructional Leadership	-	8,065	-
23 School Leadership	-	-	-
31 Guidance, Counseling and Evaluation Services	-	-	-
33 Health Services	-	-	-
51 Facilities Maintenance and Operations	-	-	-
53 Data Processing Services	-	-	-
61 Community Services	-	-	-
62 School District Administrative Support Services	-	-	27,057
Debt Service:			
71 Principal on Long Term-Debt	-	-	-
72 Interest on Long-Term Debt	-	-	-
Intergovernmental:			
93 Payment to Fiscal Agent of SSA	-	-	-
6030 Total Expenditures	<u>146,342</u>	<u>8,065</u>	<u>53,557</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
OTHER FINANCING SOURCES (USES):			
7913 Proceeds From Right-to-use Leased Assets	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	-	-	-
0100 Fund Balance - (Beginning)	-	-	-
Prior Period Adjustments			
3000 Fund Balance - (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT H-2
(Continued)

281	282	287	288	289	331
ESSER II CRRSA Act Supplemental	ESSER III ARP Act	FEDERAL	SRF	Other Federal SRF	SRF
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
544,847	915,256	19,685	193,635	2,983,704	96,402
544,847	915,256	19,685	193,635	2,983,704	96,402
-	-	-	-	86,539	15,000
442,779	185,386	5,273	-	128,571	51,402
75,860	373,210	11,789	103,846	274,152	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,746,388	-
19,741	28,838	-	-	47,890	-
6,467	7,904	-	-	6,706	-
-	-	-	-	149,738	-
-	319,918	-	89,789	522,046	-
-	-	2,553	-	-	-
-	-	70	-	-	-
-	-	-	-	21,674	30,000
544,847	915,256	19,685	193,635	2,983,704	96,402
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES– NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

Data Control Codes	338	350	385
	SSA- Career & Technical Work Force	SSA ESEA III, A English Lang. Acquisition	Visually Impaired SSVI
REVENUES:			
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	277,637
5900 Federal Program Revenues	733,039	85,702	-
5020 Total Revenues	<u>733,039</u>	<u>85,702</u>	<u>277,637</u>
EXPENDITURES:			
Current:			
11 Instruction	322,344	-	137,087
13 Curriculum and Instructional Staff Development	180,047	49,702	119,405
21 Instructional Leadership	155,837	-	-
23 School Leadership	-	-	-
31 Guidance, Counseling and Evaluation Services	-	-	-
33 Health Services	-	-	-
51 Facilities Maintenance and Operations	5,689	-	15,876
53 Data Processing Services	5,269	-	5,269
61 Community Services	-	3,000	-
62 School District Administrative Support Services	-	-	-
Debt Service:			
71 Principal on Long Term-Debt	-	-	-
72 Interest on Long-Term Debt	-	-	-
Intergovernmental:			
93 Payment to Fiscal Agent of SSA	63,853	33,000	-
6030 Total Expenditures	<u>733,039</u>	<u>85,702</u>	<u>277,637</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
OTHER FINANCING SOURCES (USES):			
7913 Proceeds From Right-to-use Leased Assets	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-
1200 Net Change in Fund Balances	-	-	-
0100 Fund Balance - (Beginning)	-	-	-
Prior Period Adjustments	-	-	-
3000 Fund Balance - (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT H-2
(Continued)

405	410	429	482	483	485
ESC Gifted and Talented	State Ins. Material	Other State SRF	Financial Literacy	T-STEAM Training	School Safety
\$ -	\$ -	\$ -	\$ 35,662	\$ -	\$ -
9,641	17,600	2,068,738	-	-	273,354
-	-	-	-	-	-
9,641	17,600	2,068,738	35,662	-	273,354
-	-	-	7,441	-	-
9,641	-	1,664,417	5,649	-	-
-	17,600	241,836	1,776	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	111,686	-	-	-
-	-	44,472	-	-	4,790
-	-	14,220	20,665	-	-
-	-	-	-	-	263,632
-	-	1,880	-	-	-
-	-	119	-	-	-
-	-	-	-	-	-
9,641	17,600	2,078,630	35,531	-	268,422
-	-	(9,892)	131	-	4,932
-	-	9,892	-	-	-
-	-	9,892	-	-	-
-	-	-	131	-	4,932
-	-	-	59,912	161,933	-
\$ -	\$ -	\$ -	\$ 60,043	\$ 161,933	\$ 4,932

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES– NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

Data Control Codes	487 ECI State	490 Chapter 41	491 STAAR One Item Bank
REVENUES:			
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	1,437,197	-	-
5900 Federal Program Revenues	5,405,353	-	-
5020 Total Revenues	<u>6,842,550</u>	-	-
EXPENDITURES:			
Current:			
11 Instruction	5,428,155	-	-
13 Curriculum and Instructional Staff Development	88,580	-	-
21 Instructional Leadership	968,323	-	-
23 School Leadership	-	-	-
31 Guidance, Counseling and Evaluation Services	-	-	-
33 Health Services	-	-	-
51 Facilities Maintenance and Operations	255,498	-	-
53 Data Processing Services	158,070	-	-
61 Community Services	-	-	-
62 School District Administrative Support Services	-	-	-
Debt Service:			
71 Principal on Long Term-Debt	12,774	-	-
72 Interest on Long-Term Debt	126	-	-
Intergovernmental:			
93 Payment to Fiscal Agent of SSA	-	-	-
6030 Total Expenditures	<u>6,911,526</u>	-	-
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(68,976)</u>	-	-
OTHER FINANCING SOURCES (USES):			
7913 Proceeds From Right-to-use Leased Assets	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	(68,976)	-	-
0100 Fund Balance - (Beginning)	<u>85,344</u>	<u>170,000</u>	<u>224,170</u>
Prior Period Adjustments			
3000 Fund Balance - (Ending)	<u>\$ 16,368</u>	<u>\$ 170,000</u>	<u>\$ 224,170</u>

EXHIBIT H-2
(Concluded)

499		698	
Other Local SRF	Capital Projects	Total Other Funds	
\$ 303,933	\$ -	\$ 339,595	
-	-	4,635,787	
210,114	-	19,304,891	
<u>514,047</u>		<u>24,280,273</u>	
95,316	-	8,563,267	
72,552	-	5,152,690	
4,002	-	2,716,031	
-	-	991,635	
54,149	-	54,149	
-	-	1,746,388	
3,856	-	911,976	
2,395	-	480,995	
794	-	244,961	
-	-	3,039,290	
-	-	29,077	
-	-	960	
-	-	148,527	
<u>233,064</u>	<u>-</u>	<u>24,079,946</u>	
280,983	-	200,327	
-	-	16,743	
<u>-</u>	<u>-</u>	<u>16,743</u>	
280,983	-	217,070	
835,136	71,829	1,608,324	
<u>\$ 1,116,119</u>	<u>\$ 71,829</u>	<u>\$ 1,825,394</u>	

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 AUGUST 31, 2023

	752	754	799	Total
	Print Shop	Computer Operations	Internal Service Fund	Internal Service Funds
ASSETS				
Current Assets:				
1110	\$ 69,376	\$ 18,229	\$ 54,061	\$ 141,666
1240	307,465	339	261,690	569,494
1260	114,672	24,290	1,769,796	1,908,758
1291	250	-	-	250
1300	82,232	-	-	82,232
1491	-	-	404	404
Non-current Assets				
Capital Assets				
1520	-	-	85,813	85,813
1530	39,941	467,529	347,245	854,715
1559	180,705	104,723	301,661	587,089
1570	(209,503)	(511,751)	(630,792)	(1,352,046)
Total Assets	<u>585,138</u>	<u>103,359</u>	<u>2,189,878</u>	<u>2,878,375</u>
LIABILITIES				
2110	41,850	13,299	132,551	187,700
2160	1,419	-	3,805	5,224
2170	-	790	2,177	2,967
Non-current Liabilities:				
2500	355	52,225	24,279	76,859
Total Liabilities	<u>43,624</u>	<u>66,314</u>	<u>162,812</u>	<u>272,750</u>
NET POSITION				
3200	10,788	8,276	79,648	98,712
3900	530,726	28,769	1,947,418	2,506,913
Total Net Position	<u>\$ 541,514</u>	<u>\$ 37,045</u>	<u>\$ 2,027,066</u>	<u>\$ 2,605,625</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

	752	754	799	Total
	Print Shop	Computer Operations	Internal Service Fund	Internal Service Funds
OPERATING REVENUES:				
Interfund Services	\$ 573,505	\$ 842,731	\$ 2,864,482	\$ 4,280,718
Local and Intermediate Sources	<u>430,532</u>	<u>-</u>	<u>119,037</u>	<u>549,569</u>
Total Operating Revenue	<u>1,004,037</u>	<u>842,731</u>	<u>2,983,519</u>	<u>4,830,287</u>
OPERATING EXPENSES:				
Curriculum and Staff Development	-	-	31,831	31,831
General Administration	-	-	11,373	11,373
Facilities Maintenance and Operations	151,016	249,347	2,404,641	2,805,004
Security and Monitoring Services	-	-	6,580	6,580
Data Processing Services	19,160	1,277,143	27,782	1,324,085
Interest Expense	2,085	5,663	5,076	12,824
School District Administrative Support Services	<u>1,085,100</u>	<u>-</u>	<u>-</u>	<u>1,085,100</u>
Total Operating Expenses	<u>1,257,361</u>	<u>1,532,153</u>	<u>2,487,283</u>	<u>5,276,797</u>
Operating Income Before Transfers	<u>(253,324)</u>	<u>(689,422)</u>	<u>496,236</u>	<u>(446,510)</u>
TRANSFERS:				
Transfers In	<u>214,060</u>	<u>720,658</u>	<u>-</u>	<u>934,718</u>
Change in Net Position	(39,264)	31,236	496,236	488,208
Total Net Position - Beginning	582,515	-	1,534,185	2,116,700
Prior Period Adjustments	<u>(1,737)</u>	<u>5,809</u>	<u>(3,355)</u>	<u>717</u>
Total Net Position - Ending	<u>\$ 541,514</u>	<u>\$ 37,045</u>	<u>\$ 2,027,066</u>	<u>\$ 2,605,625</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

	752	754	799	Total
	Print Shop	Computer Operations	Internal Service Fund	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 907,436	\$ 614,844	\$ 1,266,510	\$ 2,788,790
Cash Payments to Employees for Services	(688,555)	(831,725)	(972,075)	(2,492,355)
Cash Payments for Contracted Services	(212,419)	(342,761)	(997,607)	(1,552,787)
Cash Payments for Suppliers	(179,585)	(262,182)	(129,453)	(571,220)
Cash Payments for Other Operating Expenses	(48,696)	(1,501)	(103,983)	(154,180)
Net Cash Used In Operating Activities	<u>(221,819)</u>	<u>(823,325)</u>	<u>(936,608)</u>	<u>(1,981,752)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers from other funds	214,060	720,658	-	934,718
Net Cash Provided by Noncapital Financing Activities	<u>214,060</u>	<u>720,658</u>	<u>-</u>	<u>934,718</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Purchase of capital assets	(8,076)	(9,350)	(62,230)	(79,656)
Principal payments on leases	(85,230)	(23,417)	(141,509)	(250,156)
Net Cash Used by Capital and Related Financing Activities	<u>(93,306)</u>	<u>(32,767)</u>	<u>(203,739)</u>	<u>(329,812)</u>
Net Decrease in Cash and Cash Equivalents	(101,065)	(135,434)	(1,140,347)	(1,376,846)
Cash and Cash Equivalents at Beginning of Year	170,441	153,663	1,194,408	1,518,512
Cash and Cash Equivalents at End of Year	<u>\$ 69,376</u>	<u>\$ 18,229</u>	<u>\$ 54,061</u>	<u>\$ 141,666</u>
<u>Reconciliation of Operating Income to Net Cash Used In Operating Activities:</u>				
Operating Income (Loss):	\$ (253,324)	\$ (689,422)	\$ 496,236	\$ (446,510)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:				
Depreciation expense	84,836	80,684	147,809	313,329
Effects of Increases and Decreases in Current Assets and Liabilities:				
(Increase) Decrease in Due from Other Governments	20,515	143	(62,240)	(41,582)
(Increase) Decrease in Due from Other Funds	(114,672)	57,244	(1,544,114)	(1,601,542)
(Increase) Decrease in Inventories	466	-	-	466
Increase (Decrease) in Accounts Payables	41,848	13,299	132,551	187,698
Increase (Decrease) in Accrued Wages Payable	1,419	-	3,805	5,224
Increase (Decrease) in Due to Other Funds	(2,907)	(285,273)	(110,655)	(398,835)
Net Cash Used In Operating Activities	<u>\$ (221,819)</u>	<u>\$ (823,325)</u>	<u>\$ (936,608)</u>	<u>\$ (1,981,752)</u>

SINGLE AUDIT SECTION

(This page intentionally left blank)

The Right Choice.

BML

McAllen • Brownsville

Burton
McGumber
& Longoria, LLP
CPAs & Advisors

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

To the Board of Trustees
Region One Education Service Center
Edinburg, 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 the Region One Education Service Center (Center), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated February 7, 2024.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-003 and 2023-004 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, 2023-005, 2023-006 and 2023-007 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2023-001.

Center's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Burton McCall & Long, L.L.P.

McAllen, Texas
February 7, 2024

The Right Choice.

BML

McAllen • Brownsville

Burton
McCumber
& Longoria, LLP
CPAs & Advisors

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

To the Board of Trustees
Region One Education Service Center
Edinburg, Texas

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited the Region One Education Service Center's (Center) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the Texas Grant Management Standards that could have a direct and material effect on each of the Center's major federal and state programs for the year ended August 31, 2023. The Center's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Texas Grant Management Standards*. Our responsibilities under those standards and the Uniform Guidance and the *Texas Grant Management Standards* are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Center's federal and state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Texas Grant Management Standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-005 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Brent McCub & Long, L.L.P.

McAllen, Texas
February 7, 2024

(This page intentionally left blank)

REGION ONE EDUCATION SERVICE CENTER
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal Control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiencies identified that are not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted? X yes no

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? X yes none reported

Type of auditors’ 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)? X yes no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response
84.011A	Migrant Education State Grant Program
84.181	Special Education – Grants for Infants and Families
	Special Education Cluster
84.027A/84.173A/84.027	Education Stabilization Fund
84.425U/84.425D/84.425W	CTE – Basic Grants to States
84.048A	

Dollar threshold used to distinguish between Type A and Type B federal programs: \$1,019,839

Low Risk Auditee: Yes

REGION ONE SERVICE CENTER
 SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
 FOR THE YEAR ENDED AUGUST 31, 2023

Section I – Summary of Auditors’ Results – Continued

State Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ X yes _____ none reported

Type of auditors’ 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)? _____ X yes _____ no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of State Program or Cluster</i>
N/A	ESC IDEA-B Special Education Leadership
N/A	ESC Statewide SSVI

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

Low Risk Auditee: Yes

REGION ONE SERVICE CENTER
 SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
 FOR THE YEAR ENDED AUGUST 31, 2023

Section II – Financial Statement Findings

Reference Number 2023-001	Fiscal Year-End Closing Process
Criteria and Condition:	<p>Texas Education Code Section 44.008 requires the annual audit report be approved by the board of trustees and submitted to the Texas Education Agency no later than 150 days after the end of the Center’s fiscal year (January 28, 2024). To meet this deadline, the fiscal-year end closing process should be performed in a way that provides for the Center’s books and records to be complete and accurate. While a trial balance was provided in October 2023, it required adjustments of which some were not resolved until early February 2024. In addition, the schedule of expenditures of federal and state awards (SEFSA) was not provided to us until December 15, 2023, which significantly delayed the completion of federal and state program testing.</p>
Cause and Effect:	<p>The Center experienced turnover in key positions whose assistance was critical to the fiscal year-end closing and audit process. As a result, the Center’s books continued to be adjusted through early February 2024, including entries related to the correction of prior year errors as well as entries related to the implementation of a new accounting standard. Additionally, the Center transitioned to a new audit firm which required additional time in performing first year audit procedures.</p> <p>The delay in the Center’s ability to provide a timely SEFSA was caused by a group of closely related federal/state award programs for which the Center relies on the pass-through entity, the State, to provide an allocation of costs among the various federal/state award programs. The allocation of costs was not provided to the Center until December 2023. Additionally, once the major program determination and risk assessment had been performed a total of 8 programs (6 federal and 2 state) were required to be tested in the current year.</p> <p>Given these factors, the annual audit report was not submitted to the Texas Education Agency by the required deadline.</p>
Repeat Finding from Prior Year(s):	N/A
Recommendation:	We recommend management evaluate the year-end closing process to ensure adequate processes and procedures are in place for timely completion.
Views of Responsible Officials:	See management’s corrective action plan.

REGION ONE SERVICE CENTER
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
FOR THE YEAR ENDED AUGUST 31, 2023

Section II – Financial Statement Findings

Reference Number 2023-002	Bank Reconciliations and Outstanding Checks
Criteria and Condition:	<p>Bank reconciliations are critical for maintaining complete and accurate books as they help in identifying accounting errors, such as missed or duplicate payments, and may help in identifying fraudulent transactions. For bank reconciliations to be effective, all cash transactions should be posted as of the date the transactions occur. In reviewing the Center’s bank reconciliations, we noted the following:</p> <ol style="list-style-type: none">1. Certain reconciling items in the bank reconciliations included cash transactions that had been posted, but had not yet occurred (i.e., cash disbursement, deposit, or transfer had not been initiated).2. The reconciling items included an outstanding check issued to the Center.3. Bank reconciliations are prepared manually outside of the Center’s accounting system. As such, the format of the bank reconciliations as well as descriptions of reconciling items could be improved.
Cause and Effect:	<p>An individual who was previously responsible for preparing bank reconciliations is no longer with the Center. As such, the preparation of bank reconciliations was reassigned. The inclusion of reconciling items for transactions that have not yet been initiated results in misstatements in the cash book balance. The inclusion of an outstanding check issued to and from the Center decreases the cash book balance when, in fact, there is no effect on the cash balance. It is generally best practice, if possible, to prepare bank reconciliations within the Center’s accounting software. Preparing bank reconciliations manually outside of the Center’s accounting software may provide opportunities for bank reconciliations to be manipulated and for errors to occur.</p>
Repeat Finding from Prior Year(s):	N/A
Recommendation:	<p>We recommend the Center improve on the bank reconciliation process by only including transactions that have occurred and by not including outstanding items for transactions to itself. We also recommend the Center consider preparing its bank reconciliations within the bank reconciliation module of its accounting software.</p>
Views of Responsible Officials:	See management’s corrective action plan.

REGION ONE SERVICE CENTER
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
FOR THE YEAR ENDED AUGUST 31, 2023

Section II – Financial Statement Findings

Reference Number 2023-003	Interfund Transactions
Criteria and Condition:	The Center has internal service funds which are used primarily to account for any activity that provides goods or services to other funds or departments within the Center. Any revenues and expenditures/expenses between the Center's internal service funds and the funds it transacts with should be reconciled at least monthly to ensure all interfund activity is accounted for. Balances due to and from between funds should also be reconciled. We noted the revenues and expenditures/expenses as well as balances due to and from between the Center's internal service funds and the funds it transacts with were not reconciled.
Cause and Effect:	A reconciliation of internal activity between internal service funds and the funds it transacts with is not prepared. A department/fund may acquire goods or services from the internal service funds at which point the internal service fund will recognize revenue for services rendered. It was explained by management that it is not uncommon for the department/fund who received the goods or services to receive the invoice from the internal service fund and not immediately approve the invoice for posting. The expenditure will then be posted in the period in which it is approved. This practice does not follow generally accepted accounting principles as the expenditure is not posted in the period incurred. Additionally, this practice creates discrepancies between revenues and expenditures and balances due to and from between the internal service funds and the funds it transacts with. The lack of reconciliation for interfund activity results in misstatements.
Repeat Finding from Prior Year(s):	N/A
Recommendation:	We recommend interfund activity be reconciled at a minimum monthly. We also recommend management evaluate the current processes, procedures and internal controls and improve them to ensure the revenues and related expenditures for interfund activity is posted in the same period.
Views of Responsible Officials:	See management's corrective action plan.

REGION ONE SERVICE CENTER
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
FOR THE YEAR ENDED AUGUST 31, 2023

Section II – Financial Statement Findings

Reference Number 2023-004	Leases and SBITA
Criteria and Condition:	The Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, and GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA) which became effective for the Center for fiscal years ended August 31, 2022, and August 31, 2023, respectively. All accounting pronouncements should be properly implemented to ensure financial statements are prepared in accordance with generally accepted accounting principles. We noted errors in the prior year implementation of the lease standard and errors in the current year implementation of the SBITA standard.
Cause and Effect:	The Center experienced turnover in key positions which may have attributed to the errors noted. Errors in the implementation of new accounting standards may result in material misstatements in the financial statements.
Repeat Finding from Prior Year(s):	N/A
Recommendation:	We recommend additional training be provided as new accounting pronouncements become effective to ensure they are properly implemented.
Views of Responsible Officials:	See management’s corrective action plan.

REGION ONE SERVICE CENTER
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
FOR THE YEAR ENDED AUGUST 31, 2023

Section II – Financial Statement Findings

Reference Number 2023-005	Payroll Register Approvals
Criteria and Condition:	The Center’s internal controls require the payroll register to be approved once payroll has been processed but before payroll payments are issued. No documented evidence could be provided to verify that the payroll registers were approved prior to payment.
Cause and Effect:	Based on discussion with management, the approvals had been made with a message on Microsoft Teams. However, the Microsoft Teams chat history is no longer available to provide documented evidence that the approvals had been granted. The lack of documented evidence does not provide an audit trail to support the internal control was followed.
Repeat Finding from Prior Year(s):	N/A
Questioned Costs:	\$0
Recommendation:	We recommend the payroll register be signed and dated to document the approval to proceed with processing payments. The approvals should be maintained to provide verifiable evidence.
Views of Responsible Officials:	See management’s corrective action plan.

REGION ONE SERVICE CENTER
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
FOR THE YEAR ENDED AUGUST 31, 2023

Section II – Financial Statement Findings

Reference Number 2023-006	Use of Credit Cards and Autopay
Criteria and Condition:	<p>The Center uses a PNC credit card for the use of approved travel-related expenses such as registration fees, airfare, and lodging. As a best practice, the use of credit cards should be limited as much as possible to reduce the risk of unauthorized use. Credit card transactions should be reviewed and approved before outstanding balances are paid.</p> <p>We noted the Center has 297 PNC credit cards issued to employees. For context, the Center has approximately 400 employees. Therefore, about 74% of employees have a PNC credit card.</p> <p>We also noted credit card payments are set to auto draft. Therefore, credit card balances are paid automatically without any prior detail review of transactions and related supporting documentation. Payments are reviewed after the bank draft has occurred.</p>
Cause and Effect:	<p>The large number of PNC credit cards issued to employees is attributed to the amount of travel that employees do within the Center. Auto draft is set to ensure no late payments are made on credit cards. The large number of employees with PNC credit cards as well as the after-the-fact review of credit card transactions may provide opportunities for unauthorized transactions going undetected.</p>
Repeat Finding from Prior Year(s):	N/A
Recommendation:	<p>We recommend the Center review the use of credit cards to ensure all employees who have one need one. We also recommend the Center review all credit card transactions and supporting documentation before credit cards are paid. We recommend the Center consider discontinuing the use of the auto draft feature.</p>
Views of Responsible Officials:	See management’s corrective action plan.

REGION ONE EDUCATION SERVICE CENTER
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

Section II – Financial Statement Findings

Reference Number 2023-007	Stale Checks										
Criteria and Condition:	<p>Stale checks, that is checks issued that are not cashed by the payee within a reasonable amount of time, should be reviewed periodically and efforts should be made to dispose of those checks. We noted the accounts payable listing included balances due for stale checks that were voided and not reissued or escheated to the state. The following is a summary of these checks:</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">FY 2020 Stale Checks</td> <td style="text-align: right;">\$ 117,564</td> </tr> <tr> <td style="text-align: right;">FY 2021 Stale Checks</td> <td style="text-align: right;">37,176</td> </tr> <tr> <td style="text-align: right;">FY 2022 Stale Checks</td> <td style="text-align: right;">187,544</td> </tr> <tr> <td style="text-align: right;">FY 2023 Stale Checks</td> <td style="text-align: right;"><u>973</u></td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: right;"><u>\$ 343,257</u></td> </tr> </table>	FY 2020 Stale Checks	\$ 117,564	FY 2021 Stale Checks	37,176	FY 2022 Stale Checks	187,544	FY 2023 Stale Checks	<u>973</u>	Total	<u>\$ 343,257</u>
FY 2020 Stale Checks	\$ 117,564										
FY 2021 Stale Checks	37,176										
FY 2022 Stale Checks	187,544										
FY 2023 Stale Checks	<u>973</u>										
Total	<u>\$ 343,257</u>										
Cause and Effect:	Old outstanding checks on bank reconciliations were voided but were not reissued nor were they escheated to the state. Not disposing of these balances periodically may result in large liabilities carried in the books.										
Repeat Finding from Prior Year(s):	N/A										
Recommendation:	We recommend these balances be disposed either by reissuing the checks to the payees or by escheating the funds to the State Comptroller’s office.										
Views of Responsible Officials:	See management’s corrective action plan.										

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

Section II – Federal Award Findings

Finding 2023-005 related to internal controls over the payroll process as noted in the Financial Statement Findings section is also applicable to the federal award programs listed below.

- 93.354 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response
- 84.011A Migrant Education State Grant Program
- 84.181 Special Education – Grants for Infants and Families
- 84.027A/84.173A/84.027 Special Education Cluster
- 84.425U/84.425D/84.425W Education Stabilization Fund
- 84.048A CTE – Basic Grants to States

Section III – State Award Findings

Finding 2023-005 related to internal controls over the payroll process as noted in the Financial Statement Findings section is also applicable to the state award programs listed below.

- ESC IDEA-B Special Education Leadership
- ESC Statewide SSVI

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

FEDERAL GRANTER/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures
FEDERAL AWARDS			
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through Texas Department of Agriculture</u>			
ESC Child Nutrition Program	10.560	108-950	\$ 51,990
ESC Child Nutrition Program	10.560	108-950	<u>691,354</u>
Total ALN 10.560			<u>743,344</u>
Total Passed Through Texas Department of Agriculture			<u>743,344</u>
 <u>Passed Through Texas Health and Human Services Commission</u>			
SNAP - Ed	10.561	HHS000640200034	<u>88,670</u>
Total ALN 10.561			<u>88,670</u>
Total Passed Through Texas Health and Human Services Commission			<u>88,670</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 832,014</u>
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
STEM Link to College and Careers	84.047M	P047M220132	<u>\$ 274,420</u>
Total ALN 84.047M			<u>274,420</u>
Title IV, Operation College Bound	84.066A	P066A210044	<u>271,864</u>
Total ALN 84.066A			<u>271,864</u>
Building Mental Health Leaders	84.184X	S184X220033	<u>206,226</u>
Total ALN 84.184X			<u>206,226</u>
Title IV, Pathways to the Future!, GEAR UP Program	84.334A	P334A210014	3,832,070
Title IV, College Ready, GEAR UP Program	84.334A	P334A180024	5,117,909
Title IV, College Now, GEAR UP Program	84.334A	P334A180025	7,455,555
Total ALN 84.334A			<u>16,405,534</u>
Title II, Project RISE	84.374A	U374A160002	<u>21,258</u>
Total ALN 84.374A			<u>21,258</u>
Total Direct Programs			<u>17,179,302</u>
 <u>Passed Through State Department of Education</u>			
ESC School Improvement Facilitation	84.010A	226101547110001	114,327
ESC School Improvement Facilitation	84.010A	236101547110001	954,357
ESC ESSA Basic Services - 6101	84.010A	236101197110001	68,542
ESC Performance Management - Community of Practice	84.010A	216101657110001	22,067
TX Instructional Leader Expansion - Title I, A	84.010A	236101457110001	53,666
ESC Texas Instructional Leadership (TIL) Lead	84.010A	226101507110001	161,379
Total ALN 84.010A			<u>1,374,338</u>
ESC ESSA Basic Services - 6150	84.011A	236150027110001	1,545,196
MEP Systems Initiative	84.011A	236150377110001	381,576
Total ALN 84.011A			<u>1,926,772</u>
*ESC IDEA-B Sensory IMP	84.027A	236600227110001	74,207
*ESC Special Education Liaison Grant	84.027A	236600657110001	278,049
*ESC IDEA-B Special Education Leadership	84.027A	236600587110001	371,701
Total ALN 84.027A			<u>723,957</u>
*ESC IDEA-B Preschool	84.173A	236610227110001	264,617
Total ALN 84.173A			<u>264,617</u>

**REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023**

FEDERAL GRANTER/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures
ESC CTE Leadership	84.048A	234200097110001	10,470
2021-2022 CTE Perkins Reserve Grant	84.048A	224200287110002	399,853
2022-2023 TRPN Cohort 4 - CTE Perkins Reserve Grant	84.048A	234200287110001	366,646
2022-2023 Effective Advising Planning for New Coaches	84.048A	234200297110005	99,722
ESC CTE Admin	84.048A	234200107110001	48,156
Total ALN 84.048A			924,847
2021-2022 ESC Capacity Building Grant	84.196A	234600087110001	55,968
Total ALN 84.196A			55,968
2022-2023 ESC Title III, Part A Basic Services Grant	84.365A	236710027110001	90,908
Title III, Enhancing Program Implementation	84.365A	236710157110001	73,829
Title III, Part A - ELA	84.365A	22671001108950	3,869
Title III, Part A - ELA	84.365A	23671001108950	79,433
Title III, Part A - Immigrant	84.365A	23671003108950	9,083
Total ALN Number 84.365A			257,122
ESC ESSA Basic Services - 6945	84.367A	236945747110001	11,170
2022-2023 ESC Equity Plan Support	84.367A	236945647110001	8,505
TX Instructional Leader Expansion - Title II, A	84.367A	226945737110001	82,340
Total ALN 84.367A			102,015
ESC Title IV Mental Behavioral Health	84.424A	226801117110001	40,302
ESC Title IV Mental and Behavioral Health Training and Support	84.424A	236801117110001	52,523
ESC ESSA Basic Services - 6801	84.424A	236801057110001	159,559
Total ALN 84.424A			252,384
ESC ESSER II Tech Assist (COVID-19)	84.425D	215210467110001	89,581
ESC THL Dedicated Staff - ESSER II (COVID-19)	84.425D	215210407110001	524,370
ESSER THL ESC Plan and Implement (COVID-19)	84.425D	205210177110001	9,099
Total ALN 84.425D			623,050
ESC ESSER III Tech Assist (COVID-19)	84.425U	215280457110001	67,194
ESC Texas Tutoring Support (COVID-19)	84.425U	215280277110001	297,498
Texas Strategic Leadership ESC Pilot Certification (COVID-19)	84.425U	215280847110001	78,489
ESC OP Supp Accl Learning (COVID-19)	84.425U	215280417110001	587,031
Total ALN 84.425U			1,030,212
ARP Homeless I - ESC Capacity Building Supp (COVID-19)	84.425W	215330037110001	60,423
Total ALN 84.425W			60,423
ESC ESSA Basic Services - 6000	84.999	236000117110001	43,024
Total ALN 84.999			43,024
Total Passed Through State Department of Education			7,638,729
<u>Passed Through Texas Health and Human Services Commission</u>			
*Special Education - Grants to States	84.027	HHS000640200034	120,240
Total ALN 84.027			120,240
Special Education - Grants for Infants & Families with Disabilities	84.181	HHS000640200034	1,532,256
Total ALN 84.181			1,532,256
PRG	84.325	HHS000640200034	8,847
Total ALN 84.325			8,847
Total Passed Through Texas Health and Human Services Commission			1,661,343

**REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023**

FEDERAL GRANTER/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<u>Passed Through Texas Workforce Commission</u>			
Adult Education and Literacy Service Provider Grant	84.002A	2318ALAD00	24,333
Adult Education and Literacy Service Provider Grant	84.002A	2318ALAE00	2,996,705
Adult Education and Literacy Service Provider Grant	84.002A	2318ALAF00	215,712
Total ALN 84.002A			<u>3,236,750</u>
Total Passed Through Texas Workforce Commission			<u>3,236,750</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 29,716,124</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
Human Trafficking Youth Prevention Education	93.327	90TV0051	\$ 309,479
Total ALN 93.327			<u>309,479</u>
Total Direct Programs			<u>309,479</u>
<u>Passed Through Texas Department of Education</u>			
COVID-19 Public Health Workforce Supplemental	93.354	223934017110001	1,978,200
Total ALN 93.354			<u>1,978,200</u>
Total Passed Through Texas Department of Education			<u>1,978,200</u>
<u>Passed Through Texas Workforce Commission</u>			
Adult Education and Literacy Service Provider Grant	93.558	2318ALAD00	37,550
Adult Education and Literacy Service Provider Grant	93.558	2318ALAE00	263,968
Adult Education and Literacy Service Provider Grant	93.558	2318ALAF00	3,592
Total ALN 93.558			<u>305,110</u>
Total Passed Through Texas Workforce Commission			<u>305,110</u>
<u>Passed Through Texas Health and Human Services Commission</u>			
Special Education - Temporary Assistance to Needy Families	93.558	HHS000640200034	\$ 313,078
Total ALN 93.558			<u>313,078</u>
TWC	93.575	HHS000640200034	\$ 31,962
Total ALN 93.575			<u>31,962</u>
Medicaid Administrative Claiming Program	93.778	529-11-0040-00016	\$ 389,825
Total ALN 93.778			<u>389,825</u>
PreSchool Development Grant Birth - 5	93.434	HHS000640200034	118,849
Total ALN 93.434			<u>118,849</u>
Total Passed Through Texas Health and Human Services Commission			<u>853,714</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 853,714</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 33,994,641</u>

**REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023**

FEDERAL GRANTER/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures
STATE AWARDS			
<i>State Department of Education</i>			
ESC State Base	N/A	230280017120001	\$ 257,608
ESC Statewide SSVI	N/A	231019027110001	311,982
2022-2023 Math Academies ESC Implementation Grant	N/A	230281057110001	15,661
ESC State Gifted and Talanted	N/A	231010027110001	10,866
ESC Daignostic Support	N/A	210291797110001	30,117
IM Portal ESC Review and Support	N/A	232500137110001	19,856
ESC IDEA-B Special Education Leadership	N/A	210360027110001	1,988,638
Total State Department of Education			<u>2,634,728</u>
<i>Region VI Education Service Center</i>			
Texas Lesson Study - RIDER 40 (0291)	N/A	230291547110002	196,911
Texas Lesson Study - RIDER 52 (0292)	N/A	230292107110002	9,202
2021-2022 Texas Lesson Study grant	N/A	220292107110003	9,326
2021-2022 Texas Lesson Study grant	N/A	220291547110003	34,564
Total Region VI Education Service Center			<u>250,003</u>
<i>Texas Health and Human Services Commission</i>			
Respite GR	N/A	HHS000640200034	14,220
Early Childhood Intervention	N/A	HHS000640200034	1,437,197
Total Texas Health and Human Services Commission			<u>1,451,417</u>
<i>Texas Workforce Commission</i>			
Adult Basic Education	N/A	2318ALAD00	118,562
Adult Basic Education	N/A	2318ALAE00	432,754
Adult Basic Education	N/A	2318ALAF00	305
Total Texas Workforce Commission			<u>551,621</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>\$ 4,887,769</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 38,882,410</u>

*Special Education Cluster total \$1,108,814

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2023

1. GENERAL

The Schedule of Expenditures of Federal and State Awards (the Schedule) presents the activity of all applicable federal and state award programs of the Region One Education Service Center (the Center). The Center’s reporting entity is defined in Note I of the financial statements. Federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies, are included on the Schedule.

In accordance with TEA instructions, federal funds for the School Health and Related Services (SHARS) have been excluded from the Schedule.

All federal programs are accounted for and reported in Special Revenue Funds.

2. BASIS OF ACCOUNTING AND PRESENTATION

The Schedule is presented using the modified accrual basis of accounting. The Center’s significant accounting policies, including the modified accrual basis of accounting, are presented in Note 1 of the basic financial statements.

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) and the State of Texas *Uniform Grant Management Standards* (UGMS). Therefore, some of the amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. INDIRECT COSTS

The Center has received a negotiated indirect cost rate from TEA and may not elect to use a de minimis cost rate of 10% as described at 2 CFR §200.414(f)—Indirect (F&A) costs.

4. RECONCILIATION TO FINANCIAL STATEMENTS

The following is the reconciliation of federal and state revenues and the Schedule for the year ended August 31, 2023.

Total expenditures of federal and state awards, per Exhibit K-1	\$	38,882,410
Add:		
Other federal and state revenues		7,130,651
Total federal and state revenues, per Exhibit C-3	\$	46,013,061



Daniel P. King, Ph.D.
Executive Director

Region One Education Service Center

1900 W. Schunior, Edinburg, TX 78541 ♦ Ph (956) 984-6000 ♦ Fax (956) 984-7655

Corrective Action for Financial Statement Findings

Reference Number 2023-001 Fiscal Year-End Closing Process

Corrective Action: Administration is evaluating its staff needs and existing processes to ensure compliance with statutory deadlines.

Proposed Completion Date: March 31, 2024

Name of contact person: Rumalda Ruiz, Deputy Director for Business and Operations
Contact: (956) 984-6290

Reference Number 2023-002 Bank Reconciliation and Outstanding Checks

Corrective Action: The Center had bank accounts in three different depositories in fiscal year 2023. Throughout the year the Center has consolidated all Center activities to one depository.

During the bank consolidation process, checks were voided to move all activity to the main depository. Center staff is currently reviewing all voided checks to reissue to payee and/or state for unclaimed property.

Additionally, the Center has undergone three software conversions of its finance system and two software conversions of its human resources system in the last two fiscal years. We are currently on the second year of Ascender ERP system. As we continue to implement the various Ascender modules, the Center will be evaluating the options available to have bank reconciliations automated.

Proposed Completion Date: August 31, 2024

Name of contact person: Rumalda Ruiz, Deputy Director for Business and Operations
Contact: (956) 984-6290

Reference Number 2023-003 Interfund Transactions

Corrective Action: The Center is currently reviewing our process for all internal transactions. We will be evaluating options to implement a process that is compliant with GAAP.

Proposed Completion Date: August 31, 2024

Name of contact person: Rumalda Ruiz, Deputy Director for Business and Operations
Contact: (956) 984-6290



Region One Education Service Center

1900 W. Schunior, Edinburg, TX 78541 ♦ Ph (956) 984-6000 ♦ Fax (956) 984-7655

*Daniel P. King, Ph.D.
Executive Director*

Corrective Action for Financial Statement Findings – Continued

Reference Number 2023-004 Leases and SBITAs

Corrective Action: The Center staff will continue to attend trainings related to GASB pronouncements to ensure timely implementation.

Proposed Completion Date: August 31, 2024

Name of contact person: Rumalda Ruiz, Deputy Director for Business and Operations
Contact: (956) 984-6290

Reference Number 2023-005 Payroll Register Approval

Corrective Action: The Center is currently reviewing our process and will be implementing a documented process with approvals before payments are made.

Proposed Completion Date: February 23, 2024

Name of contact person: Rumalda Ruiz, Deputy Director for Business and Operations
Contact: (956) 984-6290

Reference Number 2023-006 Use of Credit Cards and Autopay

Corrective Action: The Center will be evaluating its current process to determine the adequate number of credit cards needed. Additional internal controls will be implemented to mitigate any potential risk.

Proposed Completion Date: August 31, 2024

Name of contact person: Rumalda Ruiz, Deputy Director for Business and Operations
Contact: (956) 984-6290

Reference Number 2023-007 Stale Checks

Corrective Action: The Center had bank accounts in three different depositories in fiscal year 2023. Throughout the year the Center has consolidated all Center activities to one depository. During the bank consolidation process, checks were voided to move all activity to the main depository. Center staff is currently reviewing all voided checks to reissue to payee and/or state for unclaimed property.

Proposed Completion Date: May 31, 2024

Name of contact person: Rumalda Ruiz, Deputy Director for Business and Operations
Contact: (956) 984-6290



Daniel P. King, Ph.D.
Executive Director

Region One Education Service Center

1900 W. Schunior, Edinburg, TX 78541 ♦ Ph (956) 984-6000 ♦ Fax (956) 984-7655

Corrective Action for Federal and State Award Findings

Reference Number 2023-005 Payroll Register Approval

Finding 2023-005 as listed in the financial statement findings section is also applicable to its federal and state award programs. See corrective action plan in the financial statement findings section above (2023-005).