

REGION ONE EDUCATION SERVICE CENTER

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

REGION ONE EDUCATION SERVICE CENTER
TABLE OF CONTENTS
AUGUST 31, 2024

TABLE OF CONTENTS

	EXHIBIT	PAGE
INTRODUCTORY SECTION		
Certificate of Board	-	v
FINANCIAL SECTION		
Independent Auditor's Report	-	1
Management's Discussion and Analysis	-	5
Basic Financial Statements		
<i>Government-wide Statements:</i>		
Statement of Net Position	A-1	15
Statement of Activities	B-1	17
<i>Governmental Fund Financial Statements:</i>		
Balance Sheet	C-1	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	C-2	19
Statement of Revenues, Expenditures, and Changes in Fund Balance	C-3	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	C-4	21
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Position	D-1	22
Statement of Revenues, Expenses, and Changes in Net Position	D-2	23
Statement of Cash Flows	D-3	24
<i>Fiduciary Fund Financial Statements:</i>		
Statement of Fiduciary Net Position	E-1	25
Statement of Changes in Fiduciary Net Position	E-2	26
Notes to the Financial Statements	-	27
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, 2024

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	80
Combining Statement of Net Position - Internal Service Funds	-	87
Combining Statement of Revenues, Expenses, and Changes in Net Position - Internal Service Funds	-	88
Combining Statement of Cash Flows - Internal Service Funds	-	89

SINGLE AUDIT SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	-	93
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	-	95
Schedule of Findings and Questioned Costs	-	99
Schedule of Expenditures of Federal Awards	K-1	107
Notes on Accounting Policies for Federal Awards	-	112
Management's Corrective Action Plan	-	113
Status of Prior Year Audit Findings	-	115

INTRODUCTORY SECTION

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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, 2024 at a meeting of the Board of Directions of such service on the 23rd day of January, 2025.



Signature of Board Secretary



Signature of Board President

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Region One Education Service Center

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, 2024, 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, 2024, 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 Auditor's 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.

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.

Auditor's 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 auditor's 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 5 through 11 and budgetary comparison information, pension information and other postemployment benefits information on pages 61 through 70 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 January 10, 2025, 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.

Brenton McClure & Long, LLP

McAllen, Texas
January 10, 2025

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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, 2024. Please read it in conjunction with the Center's financial statements, which follow this section.

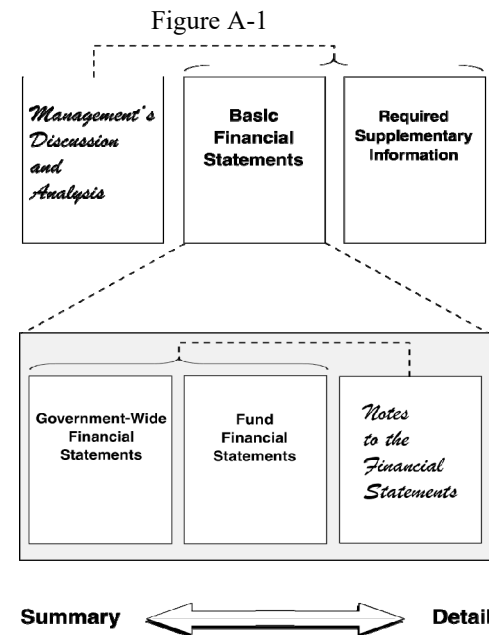
FINANCIAL HIGHLIGHTS

- The Center's total combined net position was \$11,622,348 as of August 31, 2024, which is a decrease of \$1,797,026 or 13.39% as compared to August 31, 2023.
- During the year, the Center's expenses were \$1,797,026 more than the \$81,589,144 generated in local charges and other revenues for governmental activities.
- The general fund reported an excess of expenditures over revenues this year of \$1,919,542. There were transfers from the general fund to the proprietary funds in the amount of \$1,133,028. The net decrease to the general fund was \$3,052,570 with an ending balance of \$24,707,332.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information and 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	• Statement of net assets	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• 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, additional information is presented 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.
- The Center uses *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. These activities are excluded 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 decreased by 13.39%, to \$11,622,348 between the fiscal years 2023 and 2024 (See Table A-1).

Table A-1
Net Position Summary

	Governmental Activities	
	2024	2023
Current and Other Assets	\$ 33,521,449	\$ 37,194,874
Capital Assets	22,141,965	20,308,234
Total Assets	<u>55,663,414</u>	<u>57,503,108</u>
Deferred Outflows	15,924,798	17,730,908
Other Liabilities	5,751,440	5,102,666
Long-term Liabilities	34,288,456	35,065,343
Total Liabilities	<u>40,039,896</u>	<u>40,168,009</u>
Deferred Inflows	19,925,968	21,646,633
Net Investment in Capital Assets	16,486,552	14,167,052
Restricted	2,155,525	2,062,514
Unrestricted	<u>(7,019,729)</u>	<u>(2,810,192)</u>
Total Net Position	<u>\$ 11,622,348</u>	<u>\$ 13,419,374</u>

REGION ONE EDUCATION SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS

Unrestricted net position had a \$7.0 million deficit at the end of this year as a result of the liabilities, deferred inflow and deferred outflows associated with GASB Statement No. 68 (pensions) and GASB Statement No 75 (Other Post Employment Benefit Plans). This deficit increased 149.80% compared to the prior year.

Changes in Net Position

The Center's total revenues increased by 11.09% to \$81,589,144. A significant portion, 55.77%, of the Center's revenue comes from operating grants, while 40.96% relates to charges for services.

The total cost of all programs and services increased by 16.40% to \$83,386,170. Instruction and Curriculum and Instructional Staff Development represents 45.40% of these costs.

Governmental Activities

- Investment earnings increased by approximately 30.33% due to the Center's investment strategy as interest rates increased and were more favorable in the investment pools. Charges for services increased by 14.84% from \$29,104,278 to \$33,422,806 that is attributable to new initiatives.
- Revenues increased by 11.09% from \$73,444,522 to \$81,589,144 and expenses increased 16.40% from \$71,637,693 to \$83,386,170. The Center received new grants such as Project Legacy and Legends Grant, TWC AdultEd Grant, Special ED Coop, RGV Operation Youth Career Link Grant, Upward Bound GearUp for College Grant, and ARP Homeless II, ESC COVID Recovery Reallocation Grant. The Center also saw an increase in the SubHub Program, Curriculum Collaborative and Exceptional Schools Initiative.
- 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 \$2,801,785 as compared to last year.

REGION ONE EDUCATION SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-2
Changes in Net Position

	2024	2023
Program Revenues:		
Charges for Services	\$ 33,422,806	\$ 29,104,278
Operating Grants and Contributions	45,498,980	42,697,195
General Revenues:		
State Aid and Other Grants and Contributions	1,547,736	786,280
Investment Earnings	1,116,622	856,746
Miscellaneous Local Intermediate	3,000	23
Total Revenues	<u>81,589,144</u>	<u>73,444,522</u>
Program Expenses:		
Instruction	18,173,693	19,003,804
Instructional Resources and Media Services	1,313,817	1,359,778
Curriculum and Instructional Staff Development	19,685,710	16,150,138
Instructional Leadership	6,436,700	4,833,981
School Leadership	996,774	990,218
Guidance, Counseling and Evaluation Services	1,235,005	203,782
Health Services	1,024,782	1,728,616
Student (Pupil) Transportation	166	166
General Administration	5,523,319	3,763,771
Facilities Maintenance and Operations	5,597,380	4,050,211
Security and Monitoring Services	105,798	6,580
Data Processing Services	4,817,059	4,261,469
Community Services	594,418	719,904
School District Administrative Support (ESC)	8,806,657	7,116,535
Debt Service	132,658	204,034
Payments Related to SSA	8,942,234	7,244,706
Total Expenses	<u>83,386,170</u>	<u>71,637,693</u>
Increase (Decrease) in Net Position	(1,797,026)	1,806,829
Beginning Net Position	13,419,374	11,363,455
Restatement - Prior Period Adjustments	<u>-</u>	<u>249,090</u>
Ending Net Position	<u>\$ 11,622,348</u>	<u>\$ 13,419,374</u>

**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 16.40% this year ending at \$83,386,170. Some of the cost was paid by those who directly benefited from the programs \$33,422,806 or by grants and contributions totaling \$45,498,980.

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

	Total Cost of Services		Net (Expenses) Revenues	
	2024	2023	2024	2023
Instruction	\$ 18,173,693	\$ 19,003,804	\$ 2,865,371	\$ 1,156,822
Curriculum and Instructional Staff Development	19,685,710	16,150,138	(1,701,123)	(178,757)
Payments Related to Shared Services Arrangements	8,942,234	7,244,706	(23,007)	-
School District Administrative Support (ESC)	8,806,657	7,116,535	(888,756)	(100,377)

FINANCIAL ANALYSIS OF THE CENTER'S FUNDS

Revenues from governmental fund types totaled \$82,793,562, an increase of 9.77% over the preceding year. The increase is attributable to new initiatives and other state mandates. Federal revenues decreased by 0.07% while state revenues increased by 30.53%. Total expenditures increased by \$11,008,088 or 14.93% 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 \$6,803,965 below final budget amounts. Some local programs expended less than appropriations. On the other hand, resources available were \$4,816,732 under the final budgeted amount.

CAPITAL ASSETS

At August 31, 2024, the Center had invested \$22,141,965 in capital assets, including land, construction in progress, buildings and improvements, furniture and equipment and intangible right-to-use lease and subscription based IT arrangement assets (See Table A-4.) This amount represents an increase of \$1,833,731 or 9.03% compared to the prior year. The increase was attributed primarily to the acquisition of a building.

**Table A-4
Capital Assets**

	2024	2023
Land	\$ 212,653	\$ 212,653
Construction in progress	579,753	-
Buildings and Improvements	37,548,359	35,443,474
Furniture and Equipment	2,960,322	2,730,148
Right-to-use Assets - Leases	593,029	704,726
Right-to-use Assets - SBITA	235,595	235,595
Total Assets at Historical Cost	42,129,711	39,326,596
Accumulated Depreciation	(19,987,746)	(19,018,362)
Net Capital Assets	\$ 22,141,965	\$ 20,308,234

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 2024-2025.

These indicators were taken into account when adopting the general fund budget for 2025. Amounts available for appropriation in the general fund budget are \$46,214,702 an increase of 4.86% over the final 2025 budget of \$44,073,569. The original budget for 2024-25 represents conservative figures.

Expenditures are budgeted to decrease by 3.68% to \$46,214,702 as compared to the final expenditure budget for 2024. 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 2025.

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.

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BASIC FINANCIAL STATEMENTS

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REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF NET POSITION
AUGUST 31, 2024

Data Control Codes	<u>Primary Government</u> Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 5,271,314
1120 Current Investments	14,848,308
1240 Receivables from Other Governments	12,499,313
1290 Other Receivables	174,446
1300 Inventories	181,820
1410 Prepaid Items	546,248
Capital Assets Not Subject to Depreciation:	
1510 Land	212,653
1580 Construction in Progress	579,753
Capital Assets Net of Depreciation:	
1520 Buildings, Net	20,392,794
1530 Furniture and Equipment, Net	520,175
1553 Right-to-use Assets - SBITA, Net	25,583
1559 Right-to-use Assets - Leases, Net	411,007
1000 Total Assets	<u>55,663,414</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to Pension Activities	9,342,941
1706 Deferred Outflow Related to Other Post-Employment Benefit Activities	6,581,857
1700 Total Deferred Outflows of Resources	<u>15,924,798</u>
LIABILITIES	
2110 Accounts Payable	3,712,872
2120 Other Liabilities - Current	166,328
2150 Payroll Deductions and Withholdings Payable	633,837
2160 Accrued Wages Payable	411,944
2180 Due to Other Governments	61,727
2300 Unearned Revenue	764,732
Noncurrent Liabilities:	
2501 Due Within One Year	818,407
2502 Due in More than One Year	4,837,006
2540 Net Pension Liability (Center's Share)	19,474,817
2545 Net Other Post-Retirement Benefit Liability (Center's Share)	9,158,226
2000 Total Liabilities	<u>40,039,896</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to Pension Activities	2,789,141
2606 Deferred Inflow Related to Other Post-Employment Benefit Activities	17,136,827
2600 Total Deferred Inflows of Resources	<u>19,925,968</u>
NET POSITION	
3200 Net Investment in Capital Assets	16,486,552
3820 Federal or State Grant Restriction	566,431
3890 Other Restricted Fund Balance	1,589,094
3900 Undesignated Fund Balance	(7,019,729)
3000 Total Net Position	<u>\$ 11,622,348</u>

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

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REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

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	\$ 18,173,693	\$ 9,706,873	\$ 11,332,191	\$ 2,865,371
12 Instructional Resources and Media Services	1,313,817	904,653	20,133	(389,031)
13 Curriculum and Instructional Staff Development	19,685,710	6,703,236	11,281,351	(1,701,123)
21 Instructional Leadership	6,436,700	2,439,235	4,136,168	138,703
23 School Leadership	996,774	9,892	997,473	10,591
31 Guidance, Counseling & Evaluation Services	1,235,005	663,945	368,902	(202,158)
33 Health Services	1,024,782	2,224	1,037,758	15,200
34 Student (Pupil) Transportation	166	-	-	(166)
41 General Administration	5,523,319	3,454,978	286,961	(1,781,380)
51 Facilities Maintenance and Operations	5,597,380	3,313,798	1,193,448	(1,090,134)
52 Security and Monitoring Services	105,798	38,180	5,573	(62,045)
53 Data Processing Services	4,817,059	2,579,555	975,466	(1,262,038)
61 Community Services	594,418	55,843	497,268	(41,307)
62 School District Administrative Support (ESC)	8,806,657	3,417,324	4,500,577	(888,756)
72 Debt Service - Interest on Long-Term Debt	132,658	79,554	-	(53,104)
93 Payments Related to Shared Services Agreements	8,942,234	53,516	8,865,711	(23,007)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 83,386,170</u>	<u>\$ 33,422,806</u>	<u>\$ 45,498,980</u>	<u>\$ (4,464,384)</u>
Data				
Control				
Codes				
SF	General Revenues:			
GC	State Aid - Formula Grants			756,397
IE	Grants and Contributions Not Restricted			791,339
MI	Investment Earnings			1,116,622
TR	Miscellaneous Local and Intermediate Revenue			3,000
	Total General Revenues			<u>2,667,358</u>
CN	Change in Net Position			(1,797,026)
NB	Net Position - Beginning			13,419,374
NE	Net Position - Ending			<u>\$ 11,622,348</u>

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

REGION ONE EDUCATION SERVICE CENTER
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2024

Data	10			Total
Control	General	274	Other	Governmental
Codes	Fund	GEAR UP	Funds	Funds
ASSETS				
1110	Cash and Cash Equivalents	\$ 5,122,417	\$ -	\$ 5,213,565
1120	Current Investments	14,848,308	-	14,848,308
1240	Receivables from Other Governments	3,638,737	3,166,402	11,917,239
1290	Other Receivables	111,043	105	174,196
1260	Due from Other Funds	6,161,125	-	7,937,125
1410	Prepaid Items	110,536	1,644	113,622
1000	Total Assets	<u>\$ 29,992,166</u>	<u>\$ 3,168,151</u>	<u>\$ 40,204,055</u>
LIABILITIES				
2110	Accounts Payable	\$ 1,442,928	\$ 1,327,678	\$ 3,520,566
2120	Other Liabilities - Current	166,328	-	166,328
2150	Payroll Deductions and Withholdings Payable	633,837	-	633,837
2160	Accrued Wages Payable	348,503	-	389,504
2170	Due to Other Funds	1,971,122	1,840,473	8,168,334
2180	Due to Other Governments	61,727	-	61,727
2300	Unearned Revenue	660,389	-	764,732
2000	Total Liabilities	<u>5,284,834</u>	<u>3,168,151</u>	<u>13,705,028</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3430	Prepaid Items	110,536	-	110,536
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restrictions	-	-	1,719,866
3490	Other Restricted Fund Balance	1,589,094	-	1,589,094
3500	Assigned for Program Services	5,456,635	-	5,528,464
3600	Unassigned Fund Balance	17,551,067	-	17,551,067
3000	Total Fund Balances	<u>24,707,332</u>	<u>-</u>	<u>26,499,027</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 29,992,166</u>	<u>\$ 3,168,151</u>	<u>\$ 40,204,055</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, 2024

Total Fund Balances - Governmental Funds		\$ 26,499,027
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.	6,635,198
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, results in an increase in net position.	11,150,792
3	Long-term liabilities including SBITA liabilities are not due and payable in the current period and are not reported as liabilities in the funds.	(28,456)
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 \$9,342,941, a deferred resources inflow in the amount of \$2,789,141, and a net pension liability in the amount of \$19,474,817. This resulted in a decrease in net position.	(12,921,017)
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 \$6,581,857, a deferred resources inflow in the amount of \$17,136,827, and a net OPEB liability in the amount of \$9,158,226. This resulted in a decrease in net position.	(19,713,196)
6	Net Position of Governmental Activities	<u><u>\$ 11,622,348</u></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, 2024

Data Control Codes	10 General Fund	274 GEAR UP	Other Funds	Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 32,366,002	\$ -	\$ 1,968,549	\$ 34,334,551
5800 State Program Revenues	4,309,200	-	6,268,568	10,577,768
5900 Federal Program Revenues	2,581,635	14,880,965	20,418,643	37,881,243
5020 Total Revenues	<u>39,256,837</u>	<u>14,880,965</u>	<u>28,655,760</u>	<u>82,793,562</u>
EXPENDITURES:				
Current:				
11 Instruction	9,093,907	1,331,074	8,481,621	18,906,602
12 Instructional Resources and Media Services	1,321,457	-	-	1,321,457
13 Curriculum and Instructional Staff Development	9,340,026	3,591,408	7,713,056	20,644,490
21 Instructional Leadership	2,554,179	873,472	3,220,021	6,647,672
23 School Leadership	15,476	-	996,227	1,011,703
31 Guidance, Counseling and Evaluation Services	369,765	5,315	932,789	1,307,869
33 Health Services	3,200	-	1,037,760	1,040,960
41 General Administration	5,579,917	-	554	5,580,471
51 Facilities Maintenance and Operations	2,294,984	112,828	957,097	3,364,909
52 Security and Monitoring Services	6,740	-	-	6,740
53 Data Processing Services	3,942,371	65,181	497,278	4,504,830
61 Community Services	60,380	245,278	271,935	577,593
62 School District Administrative Support Services	3,912,367	-	4,312,228	8,224,595
Capital Outlay:				
81 Facilities Acquisition and Construction	2,664,219	-	-	2,664,219
Intergovernmental:				
93 Payment to Fiscal Agent of SSA	17,391	8,656,409	268,893	8,942,693
6030 Total Expenditures	<u>41,176,379</u>	<u>14,880,965</u>	<u>28,689,459</u>	<u>84,746,803</u>
1100 Excess (Deficiency) of Revenues Over Expenditures	<u>(1,919,542)</u>	<u>-</u>	<u>(33,699)</u>	<u>(1,953,241)</u>
OTHER FINANCING SOURCES (USES):				
8911 Transfers out	(1,133,028)	-	-	(1,133,028)
7080 Total Other Financing Sources (Uses)	<u>(1,133,028)</u>	<u>-</u>	<u>-</u>	<u>(1,133,028)</u>
1200 Net Change in Fund Balances	(3,052,570)	-	(33,699)	(3,086,269)
0100 Fund Balance - (Beginning)	27,759,902	-	1,825,394	29,585,296
3000 Fund Balance - (Ending)	<u>\$ 24,707,332</u>	<u>\$ -</u>	<u>\$ 1,791,695</u>	<u>\$ 26,499,027</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 BALANCE TO THE STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

Total Net Change in Fund Balances - Governmental Funds		\$ (3,086,269)
1	The Center uses internal service funds to charge the costs to appropriate functions in other funds. The net income (loss) of the internal service fund is reported with governmental activities.	(872,027)
2	Capital outlays are reported in the governmental funds as expenditures. In the statement of activities, the cost of the assets, \$2,761,427, is allocated over their useful lives as depreciation expense which totaled \$969,985 for the year.	1,791,442
3	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 \$38,695 were made on the SBITA liabilities.	38,697
4	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 \$1,749,276. 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 \$(1,431,776). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$(2,048,617). The net results is a decrease in the change in net position.	(1,731,117)
5	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 \$422,183. 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 \$(356,709). 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 \$1,996,774. The net results is an increase in the change in net position.	2,062,248
7	Change in Net Position of Governmental Activities	<u><u>\$ (1,797,026)</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, 2024

	Governmental Activities
	Total Internal Service Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 57,748
Due from Other Governments	582,073
Due from Other Funds	231,264
Other Receivables	250
Inventories	181,820
Other Current Assets	432,626
Total Current Assets	<u>1,485,781</u>
Non-current Assets	
Capital Assets	
Buildings and Buildings Improvements	11,849,062
Furniture and Equipment	1,113,981
Right-to-use SBITA	593,029
Accumulated Depreciation	(2,564,899)
Total Non-current Assets	<u>10,991,173</u>
Total Assets	<u>12,476,954</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	192,304
Accrued Wages Payable	22,440
Due to Other Funds	55
Total Current Liabilities	<u>214,799</u>
Non-current Liabilities:	
Due Within One Year	
Loan Payable	665,045
Right-to-use Lease Liability	124,906
Due In More Than One Year	
Loan Payable	4,505,269
Right-to-use Lease Liability	331,737
Total Non-current Liabilities	<u>5,626,957</u>
Total Liabilities	<u>5,841,756</u>
NET POSITION	
Net Investment in Capital Assets	5,364,216
Unrestricted Net Position	<u>1,270,982</u>
Total Net Position	<u>\$ 6,635,198</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, 2024

	Governmental Activities
	Total Internal Service Funds
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OPERATING REVENUES:	
Interfund Services	\$ 4,526,545
Local and Intermediate Sources	229,195
Total Operating Revenue	<u>4,755,740</u>
OPERATING EXPENSES:	
Curriculum and Staff Development	61,443
General Administration	75,861
Facilities Maintenance and Operations	3,951,103
Security and Monitoring Services	102,691
Data Processing Services	1,303,201
School District Administrative Support Services	1,080,926
Total Operating Expenses	<u>6,575,225</u>
Operating Income (Loss)	<u>(1,819,485)</u>
NONOPERATING REVENUES (EXPENSES):	
Interest on Long-Term Liabilities	<u>(185,570)</u>
Total Nonoperating Revenues (Expenses)	<u>(185,570)</u>
Operating Income (Loss) Before Transfers	<u>(2,005,055)</u>
TRANSFERS:	
Transfers In	<u>1,133,028</u>
Change in Net Position	(872,027)
Total Net Position - Beginning, as previously reported	2,605,625
Error Correction	4,901,600
Total Net Position - Beginning, restated	<u>7,507,225</u>
Total Net Position - Ending	<u><u>\$ 6,635,198</u></u>

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, 2024

	Governmental Activities Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 4,752,313
Cash Payments to Employees for Services	(3,433,387)
Cash Payments for Contracted Services	(15,942)
Cash Payments for Suppliers	(1,100,728)
Cash Payments for Other Operating Expenses	(165,172)
Net Cash Used In Operating Activities	37,084
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers from Other Funds	1,133,028
Net Cash Provided by Noncapital Financing Activities	1,133,028
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Purchases of Capital Assets	(320,674)
Principal Payments on Long-term Debt	(752,164)
Interest Paid on Long-term Debt	(181,192)
Net Cash Used by Capital and Related Financing Activities	(1,254,030)
Net Decrease in Cash and Cash Equivalents	(83,918)
Cash and Cash Equivalents at Beginning of Year	141,666
Cash and Cash Equivalents at End of Year	\$ 57,748
<u>Reconciliation of Operating Income to Net Cash Used In Operating Activities:</u>	
Operating Income (Loss):	\$ (1,819,485)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:	
Depreciation expense	705,299
Effects of Increases and Decreases in Current Assets and Liabilities:	
(Increase) Decrease in Due from Other Governments	(12,579)
(Increase) Decrease in Due from Other Funds	1,677,494
(Increase) Decrease in Inventories	(99,588)
(Increase) Decrease in Prepaid Items	(432,626)
(Increase) Decrease in Security Deposits	404
Increase (Decrease) in Accounts Payables	3,861
Increase (Decrease) in Accrued Wages Payable	17,216
Increase (Decrease) in Due to Other Funds	(2,912)
Net Cash Used In Operating Activities	\$ 37,084

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, 2024

	Private Purpose Trust Funds
ASSETS	
Cash and Cash Equivalents	\$ 142,073
Receivables	14,275
Total Assets	<u>156,348</u>
LIABILITIES	
Accounts Payable	11,684
Due to Activity Funds	144,664
Total Liabilities	<u>156,348</u>
NET POSITION	
Unrestricted Net Position	<u>-</u>
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, 2024

	Private Purpose Trust Funds
<hr/>	
ADDITIONS:	
Gifts and Bequest	\$ 16,897
Local Revenue Services Other Districts	130,368
	<hr/>
Total Additions	147,265
	<hr/>
DEDUCTIONS	
Community Services	15,500
School District Administrative Support Services	131,765
	<hr/>
Total Deductions	147,265
	<hr/>
Change in Net Position	-
	<hr/>
Total Net Position - Beginning	-
	<hr/>
Total Net Position - Ending	\$ -
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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, 2024

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Region One Education Service Center (“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* (“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, 2024

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 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, 2024

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 and 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, 2024

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 follows GASB 87 for reporting leases and GASB 96 for SBITAs. 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 or SBITA, the lease or SBITA must meet the definition of a "long-term" lease provided in GASB 87 and GASB 96, respectively and must meet the capitalization level set by the Board. The right-to-use lease and SBITA liabilities are reported in the government-wide statements and in proprietary fund statements. The lease and SBITA liabilities are calculated as the present value of the reasonably certain expected payments to be made over the term of the lease or contract and the interest included in the 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 and 96, the initial measure of a new right-to-use lease arrangement is reported in governmental fund types as other financing sources 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, construction in progress, buildings and improvements, furniture and equipment, right to use lease and SBITA assets, 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, 2024

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

If the lease and SBITA are 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. The recording of the lease and SBITA assets and liabilities 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. Capital assets 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

5. 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.
6. 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, 2024

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.

7. In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. 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.
8. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. 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.
9. 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.
10. 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, 2024

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

11. 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.
12. Indirect expenses are charged upon a service center-wide cost allocation plan, which allocates these costs based upon the number of full time equivalents.
13. 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.
14. Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide Statement of Net Position.
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 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.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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.
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, 2024, 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, 2024, the carrying value of the Center’s deposits was \$5,413,439 while the bank balance was \$5,201,214. The Center’s cash deposits at August 31, 2024 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, 2024

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, 2024, 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, 2024

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, 2024, the Center's investment balances are stated at fair value and weighted average maturity of these investments were as follows:

Current Investments	Credit Rating	Fair Value	Weighted Average Maturity (Days)	Percentage
Texas CLASS	AAAm	8,700,833	87	59%
TexPool	AAAm	1,857,238	36	13%
Lone Star Investment Pool	AAAm	4,290,237	39	29%
		<u>\$ 14,848,308</u>		

The following is a reconciliation of the Center's total cash and investments as of August 31, 2024:

	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents (Deposits)	\$ 5,271,314	\$ 142,073	\$ 5,413,387
Current Investments	14,848,308	-	14,848,308
Total	<u>\$ 20,119,622</u>	<u>\$ 142,073</u>	<u>\$20,261,695</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, 2024

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, 2024, 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, 2024, Texas CLASS, TexPool and Lone Star made up 59%, 13% and 29%, 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, 2024, 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 Funding	Federal Grants	Other Governments	Total
General Fund	\$ 34,541	\$ -	\$ 3,604,196	\$ 3,638,737
GEAR UP	-	3,166,402	-	3,166,402
Other Funds	2,403,674	837,498	1,870,928	5,112,100
Internal Service Fund	-	-	582,073	582,073
	<u>\$ 2,438,215</u>	<u>\$ 4,003,900</u>	<u>\$ 6,057,197</u>	<u>\$ 12,499,312</u>

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

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, 2024 is as follows:

Receivable Fund:	Total	Payable Fund:	Total
General Fund	\$ 1,826,282	Gear Up Fund	\$ 1,826,282
General Fund	4,334,843	Nonmajor Special Revenue Funds	4,334,843
Nonmajor Special Revenue Funds	1,775,885	General Fund	1,775,885
Nonmajor Special Revenue Funds	115	Nonmajor Special Revenue Funds	115
Internal Service Fund	195,237	General Fund	195,237
Internal Service Fund	14,191	Gear Up Fund	14,191
Internal Service Fund	21,781	Nonmajor Special Revenue Funds	21,781
Internal Service Fund	55	Internal Service Fund	55
Total Due From Other Funds	<u>\$ 8,168,389</u>	Total Due To Other Funds	<u>\$ 8,168,389</u>

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

The general fund had transfers out to other funds totaling \$1,133,028. These consisted of transfers to the print shop fund for \$706,596 and computer operations fund for \$426,432.

D. OTHER RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

As of August 31, 2024, 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, 2024

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, 2024 was as follows:

	Beginning Balance 09/01/23	Increases	(Retirements) and Transfers	Ending Balance 08/31/24
Governmental activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 212,653	\$ -	\$ -	\$ 212,653
Construction in Progress	-	579,753	-	579,753
Total Capital Assets, Not Being Depreciated	212,653	579,753	-	792,406
Capital Assets, Being Depreciated:				
Buildings and Improvements	35,443,474	2,104,885	-	37,548,359
Furniture and Equipment	2,730,148	336,056	(105,882)	2,960,322
Right-to-use Assets				
Leases - Furniture and Equipment	704,726	488,306	(600,003)	593,029
SBITA	235,595	-	-	235,595
Total Capital Assets, Being Depreciated	39,113,943	2,929,247	(705,885)	41,337,305
Less Accumulated Depreciation For:				
Buildings and Improvements	(15,966,679)	(1,188,886)	-	(17,155,565)
Furniture and Equipment	(2,367,653)	(178,376)	105,882	(2,440,147)
Leases - Furniture and Equipment	(578,952)	(203,073)	600,003	(182,022)
SBITA	(105,078)	(104,934)	-	(210,012)
Total Accumulated Depreciation	(19,018,362)	(1,675,269)	705,885	(19,987,746)
Total Capital Assets, Being Depreciated, Net	20,095,581	1,253,978	-	21,349,559
Total Capital Assets, Net	\$ 20,308,234	\$ 1,833,731	\$ -	\$ 22,141,965

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$ 37,983
12	Instructional Resources and Media Services	43,646
13	Curriculum and Staff Development	97,351
21	Instructional Leadership	31,685
34	Student Transportation	166
41	General Administration	224,206
51	Plant, Maintenance and Operations	936,553
53	Data Processing Services	171,603
61	Community Services	55,336
62	School Center Administrative Support (ESC)	76,740
Total Depreciation Expense - Governmental Activities		<u>\$ 1,675,269</u>

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

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, 2024 are as follows:

<u>Governmental Activities</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 09/01/23</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amounts Outstanding 08/31/24</u>	<u>Amounts Due in One Year</u>
Loan Payable - Building Expansion	2.96%	\$ 5,815,283	\$ -	\$ (644,969)	\$ 5,170,314	\$ 665,045
Leases Liability	5.00% - 8.50%	133,290	488,306	(164,953)	456,643	124,906
SBITA Liability	1.71% - 3.24%	67,151	-	(38,695)	28,456	28,456
Net Pension Liability	N/A	18,481,576	993,241	-	19,474,817	-
Net OPEB Liability	N/A	10,568,043	-	(1,409,817)	9,158,226	-
Total governmental activities		<u>\$ 35,065,343</u>	<u>\$ 1,481,547</u>	<u>\$ (2,258,434)</u>	<u>\$ 34,288,456</u>	<u>\$ 818,407</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>
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	749,826	61,425	811,251
2030-2032	1,636,535	53,825	1,690,360
	<u>\$ 5,170,314</u>	<u>\$ 576,303</u>	<u>\$ 5,746,617</u>

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

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 8.50%.

The future principal and interest lease payments for governmental activities as of August 31, 2024 are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2025	124,906	\$ 23,869	\$ 148,775
2026	97,851	21,778	119,629
2027	97,851	21,708	119,559
2028	97,731	21,631	119,362
2029	38,304	8,838	47,142
	<u>\$ 456,643</u>	<u>\$ 97,824</u>	<u>\$ 554,467</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, 2024, follow:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2025	\$ 28,456	\$ 731	\$ 29,187
	<u>\$ 28,456</u>	<u>\$ 731</u>	<u>\$ 29,187</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, 2024

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 \$50,551,953. Contents and valuable papers and records to “Direct Physical loss, replacement cost Business Personal Property” in the amount of \$11,890,907. 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 multiple-employer, cost-sharing, 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, 2024

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, 2024

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 2019 thru 2025.

	<u>Contribution Rates</u>
	<u>2024</u>
Member (Employee)	8.25%
Non-Employer Contributing Entity (State)	8.25%
Employers (Center)	8.25%
Current fiscal year employer contributions	\$ 1,749,276
Current fiscal year member contributions	\$ 3,185,010
NECE on-behalf contributions	\$ 1,731,402

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 1.80% of the member's salary beginning in fiscal year 2023, 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, 2024

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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost method	Individual Entry Age Normal
Inflation	2.30%
Single discount rate	7.00%
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected salary increases	2.95% to 8.95% 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, 2022. For a full description of these assumptions please see the actuarial valuation report dated November 22, 2022.

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 9.50% of payroll in fiscal year 2024 gradually increasing to 9.56% in fiscal year 2025 and thereafter. 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, 2024

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, 2023 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%	4.00%	1.00%
Non-U. S. Developed	13.00%	4.50%	0.90%
Emerging Markets	9.00%	4.80%	0.70%
Private Equity*	14.00%	7.00%	1.50%
Stable Value			
Government Bonds	16.00%	2.50%	0.50%
Absolute Return*	0.00%	3.60%	0.00%
Stable Value Hedge	5.00%	4.10%	0.20%
Real Return:			
Real Estate	15.00%	4.90%	1.10%
Energy, natural resources & infrastructure	6.00%	4.80%	0.40%
Commodities	0.00%	4.40%	0.00%
Risk Parity			
Risk Parity	8.00%	4.50%	0.40%
Leverage			
Cash	2.00%	3.70%	0.00%
Asset Allocation Leverage	-6.00%	4.40%	-0.10%
Inflation expectation			2.30%
Volatility Drag****			-0.90%
Total	100.0%		8.00%

* Absolute return includes credit sensitive investments.

** Target allocations are based on the FY2023 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of 06/30/2023)

**** 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, 2024

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	\$29,115,929	\$19,474,817	\$11,458,226

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

At August 31 2023, the Center reported a liability of \$19,474,817 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	\$ 19,474,817
State's proportionate share of the net pension liability associated with the Center	23,137,182
Total	<u>\$ 42,611,999</u>

The net pension liability was measured as of August 31, 2022 and rolled forward to August 31, 2023 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, 2022 thru August 31, 2023.

At August 31, 2023, the employer's proportion of the collective net pension liability was 0.0283516044%, which was a decrease of 0.0027792301% from its proportion measured as of August 31, 2022.

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.

The Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2023. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the net pension liability of TRS. In addition, the Legislature also provided for a cost of living adjustment (COLA) to retirees which was approved during the November 2023 election which will be paid in January 2024. Therefore, this contingent liability was not reflected as of August 31, 2023.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

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

J. DEFINED PENSION PLAN (Continued)

For the year ended August 31, 2024, the Center recognized pension expense of \$6,973,907 and revenue of \$3,493,514 for support provided by the State.

On August 31, 2024, 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	\$ 693,894	\$ 235,819
Changes in actuarial assumptions	1,841,936	450,764
Differences between projected and actual investment earnings	2,834,058	-
Changes in proportion and differences between Center contributions and proportionate share of contributions	2,223,777	2,102,558
Contributions paid to TRS subsequent to the measurement date	1,749,276	-
Total	<u>\$ 9,342,941</u>	<u>\$ 2,789,141</u>

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
2025	\$ 1,093,944
2026	664,298
2027	2,374,341
2028	749,836
2029	(77,895)
	<u>\$ 4,804,524</u>

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, 2024

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		
	Medicare	Non-Medicare
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, 2024

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 employer. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee’s pay for fiscal year 2023. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>2023</u>
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)	\$ 422,183
Member (Employee)	\$ 250,937
2023 measurement year NECE on-behalf contributions	\$ 433,019

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 \$21.3 million in fiscal year 2023 provided by Rider 14 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from amounts received by the pension and TRS-Care funds in excess of the State’s actual obligation and then transferred to TRS-Care.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2022. Update procedures were used to roll forward the total OPEB liability to August 31, 2023. 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, 2021.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

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

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

- 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.
- Health Care Trend Rates – The initial medical trend rates were 7.75% for Medicare retirees and 7.00% for non-Medicare retirees. The initial prescription drug trend rate was 7.75% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.
- Discount Rate – A single discount rate of 4.13% was used to measure the total OPEB liability. This was an increase of 0.22% in the discount rate since the previous year. Since the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.

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, 2021. 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, 2022 TRS pension actuarial valuation that was rolled forward to August 31, 2023:

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

The active rates were based on PUB (2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with two years set forth for males). The post-retirement mortality rates for healthy lives were based on the 2021 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-2021.

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost method	Individual Entry Age Normal
Inflation	2.30%
Single discount rate	7.00%
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected salary increases	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

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

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

Discount Rate

A single discount rate of 4.13% was used to measure the Total OPEB Liability. This was an increase of 0.22% in the discount rate since the previous year.

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2023, 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 (4.13%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate 3.13%	Current Single Discount Rate 4.13%	1% Increase in Discount Rate 5.13%
Center's proportionate share of the net OPEB liability	\$10,786,484	\$9,158,226	\$7,829,530

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

At August 31, 2024, the Center reported a liability of \$9,158,226 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	\$ 9,158,226
State's proportionate share of the net OPEB liability associated with the Center	<u>11,050,808</u>
Total	<u><u>\$ 20,209,034</u></u>

The Net OPEB liability was measured as of August 31, 2022 and rolled forward to August 31, 2023 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, 2022 thru August 31, 2023.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

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

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

On August 31, 2023, the employer's proportion of the collective Net OPEB Liability was 0.0413682360% which was a decrease of 0.0027682526% from its proportion measured as of August 31, 2022.

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 proportionate share of the net OPEB liability	\$7,541,341	\$9,158,226	\$11,238,355

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 3.91% as of August 31, 2022 to 4.13% as of August 31, 2023, accompanied by revised demographic and economic assumptions based on the TRS experience study.

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, 2024, the Center recognized OPEB expense of \$(4,002,494) and revenue of \$(2,362,429) for support provided by the State.

On August 31, 2024, 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	\$ 414,340	\$ 7,704,913
Changes in actuarial assumptions	1,250,031	5,607,825
Differences between projected and actual investment earnings	3,957	-
Changes in proportion and differences between Center contributions and the proportionate share of contributions	4,491,346	3,824,089
Contributions paid to TRS subsequent to the measurement date	422,183	-
Total	<u>\$ 6,581,857</u>	<u>\$ 17,136,827</u>

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

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:

Measurement Year Ended August 31,	OPEB Expense Amount
2024	\$ (2,400,190)
2025	(1,980,147)
2026	(1,411,475)
2027	(1,686,564)
2028	(1,441,698)
Thereafter	(2,057,079)
	<u>\$ (10,977,153)</u>

L. HEALTH CARE COVERAGE-ACTIVE EMPLOYEES

Plan Description

During the year ended August 31, 2024, 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 \$212,214, \$177,196, and \$94,425 were recognized for the years ended August 31, 2024, 2023, and 2022, respectively, as equal revenues and expenditures.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

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

M. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2024, the Center had no liability for accrued sick leave or vacation leave. The Center has restricted fund balance of \$1,589,094 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:

		Effective Advising CTE	Strengthening CTE	Perkins Reserve CTE Fund	Title III Part A ELA - Immigrant	Title III Part A ELA
County District	Member Districts	331	331	367	350	350
108810	Brillante Academy	\$ -	\$ -	\$ -	\$ -	\$ 3,619
024901	Brooks County ISD	-	-	-	2,029	1,866
108809	Excellence in Leadership Academy	-	-	-	-	9,969
108905	Hidalgo ISD	-	-	-	-	-
124901	Jim Hogg ISD	-	-	-	-	4,474
108912	La Joya ISD	-	-	-	-	-
108914	La Villa ISD	-	9,534	-	-	6,402
245901	Lasara ISD	24,514	5,218	-	-	3,405
245902	Lyford ISD	-	-	-	-	-
108915	Monte Alto ISD	-	-	-	-	-
108909	Pharr-San Juan-Alamo ISD	-	-	-	-	-
214903	Roma ISD	-	-	-	-	-
214902	San Isidro ISD	-	-	-	-	1,773
245904	San Perlita ISD	-	-	4,813	-	1,551
031913	Santa Maria ISD	-	10,535	-	-	-
031914	Santa Rosa ISD	-	-	-	-	11,836
031916	South Texas ISD	24,514	-	-	-	-
071803	Triumph - El Paso	-	-	-	-	3,918
240801	Triumph - Laredo	-	-	-	-	7,386
108804	Triumph - Rio Grande Valley	-	-	-	-	9,694
108916	Valley View ISD	-	-	-	-	-
108808	Vanguard Academy	-	-	-	1,970	-
240904	Webb Consociated ISD	-	-	-	-	1,545
108913	Weslaco ISD	24,514	-	-	-	-
		<u>\$ 73,542</u>	<u>\$ 25,287</u>	<u>\$ 4,813</u>	<u>\$ 3,999</u>	<u>\$ 67,438</u>

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

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

O. SHARED SERVICE AGREEMENTS (Continued)

The Center is the fiscal agent for the Special Education Support (SES) Cooperative which provides special education services to member Districts. Cooperative members include Lasara ISD, San Perlita ISD and San Isidro ISD.

The Center, acting as the fiscal agent, receives monies from the granting agencies and member Districts and administers the program. The Center is responsible for the administration and operation of the cooperative and include employment of cooperative personnel, budgeting, accounting and reporting. In accordance with the guidance provided in Texas Education Agency’s Resource Guide, the Center has accounted for the activities of the SSA using model 3 in the appropriate special revenue funds, fund 437.

		Fund			
		437	313	314	Total
		11	11	11	
Type					
Fiscal Agent					
	CDN				
Region One Education Service Center	108950	\$ 182,682	\$ -	\$ -	\$ 182,682
Member Districts					
Lasara ISD	245901	99,126	52,229	1,815	153,170
San Perlita ISD	245904	53,202	34,443	1,197	88,842
San Isidro ISD	245902	54,035	33,339	1,158	88,532
Total Member District Expenditures		206,363	120,011	4,170	330,544
Total SSA Expenditures		\$ 389,045	\$ 120,011	\$ 4,170	\$ 513,226

P. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

The following GASB pronouncements were applicable and effective during fiscal year 2024.

The Center adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*. The objective of GASB Statement No. 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections. Changes in accounting principles and in accounting estimates that result from a change in measurement methodology, a new principal or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. This statement also requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Q. RESTATEMENTS OF BEGINNING BALANCES

Beginning balances were restated as follows:

	Internal Service Funds
Beginning net position, as previously reported	\$ 2,605,625
To correct capital assets that were incorrectly reported in governmental activities that should have been in the internal service funds. Because internal service funds are included in the governmental activities, this had no effect on the net position as previously reported in the governmental activities.	10,773,313
To correct loan and lease liabilities that were incorrectly reported in the governmental activities and should be in the internal service funds. Because internal service funds are included in the governmental activities, this had no effect on the net position as previously reported in the governmental activities.	<u>(5,871,713)</u>
Beginning net position, as restated	<u><u>\$ 7,507,225</u></u>

R. SUBSEQUENT EVENTS

The Center has evaluated subsequent events through January 10, 2025, which is the date these financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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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, 2024

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
		Original	Final	(GAAP Basis)	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 32,593,100	\$ 35,353,535	\$ 32,366,002	\$ (2,987,533)
5800	State Program Revenues	2,791,512	4,541,512	4,309,200	(232,312)
5900	Federal Program Revenues	2,978,522	4,178,522	2,581,635	(1,596,887)
5020	Total Revenues	38,363,134	44,073,569	39,256,837	(4,816,732)
EXPENDITURES:					
Current:					
11	Instruction	10,811,642	10,939,227	9,093,907	1,845,320
12	Instructional Resources and Media Services	1,292,641	1,431,075	1,321,457	109,618
13	Curriculum and Instructional Staff Development	9,440,321	10,662,796	9,340,026	1,322,770
21	Instructional Leadership	2,288,970	3,058,931	2,554,179	504,752
23	School Leadership	16,232	16,232	15,476	756
31	Guidance, Counseling and Evaluation Services	507,306	507,306	369,765	137,541
33	Health Services	-	4,200	3,200	1,000
41	General Administration	4,682,661	6,640,706	5,579,917	1,060,789
51	Facilities Maintenance and Operations	1,815,944	2,610,137	2,294,984	315,153
52	Security and Monitoring Services	-	10,000	6,740	3,260
53	Data Processing Services	3,444,774	4,611,318	3,942,371	668,947
61	Community Services	92,168	120,975	60,380	60,595
62	School District Administrative and Support Service	3,949,575	4,077,834	3,912,367	165,467
Debt Service:					
71	Debt Service	20,900	272,215	-	272,215
Capital Outlay:					
81	Facilities Acquisition and Construction	-	3,000,000	2,664,219	335,781
93	Payment to Fiscal Agenet of SSA	-	17,392	17,391	1
6030	Total Expenditures	38,363,134	47,980,344	41,176,379	6,803,965
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,906,775)	(1,919,542)	1,987,233
OTHER FINANCING SOURCES (USES):					
8911	Transfers out	-	-	(1,133,028)	(1,133,028)
7080	Total Other Financing Sources (Uses)	-	-	(1,133,028)	(1,133,028)
1200	Net Change in Fund Balances	-	(3,906,775)	(3,052,570)	854,205
0100	Fund Balance - (Beginning)	27,759,902	27,759,902	27,759,902	-
3000	Fund Balance - (Ending)	\$ 27,759,902	\$ 23,853,127	\$ 24,707,332	\$ 854,205

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MEASUREMENT YEAR ENDED AUGUST 31,

	2023	2022	2021	2020
Center's Proportion of the Net Pension Liability (Asset)	0.0283516044%	0.0311308345%	0.0241777507%	0.0284171895%
Center's Proportionate Share of Net Pension Liability (Asset)	\$ 19,474,817	\$ 18,481,576	\$ 6,157,217	\$ 15,219,667
States Proportionate Share of the Net Pension Liability (Asset) Associated with the Center	23,137,182	14,359,429	5,757,426	14,863,334
Total	<u>\$ 42,611,999</u>	<u>\$ 32,841,005</u>	<u>\$ 11,914,643</u>	<u>\$ 30,083,001</u>
Center's Covered Payroll	\$ 31,538,683	\$ 27,095,109	\$ 22,532,195	\$ 30,083,001
Center's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	61.75%	68.21%	27.33%	50.59%
Plan Fiduciary Net Position as a % of Total Pension Liability	73.15%	75.62%	88.79%	75.54%

EXHIBIT G-2

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.0270860673%	0.0273298053%	0.0259707919%	0.0245953645%	0.0254251000%	0.0149510000%
\$ 14,080,185	\$ 15,042,988	\$ 8,304,060	\$ 9,294,223	\$ 8,987,434	\$ 3,993,619
<u>15,634,106</u>	<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>\$ 29,714,291</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>
\$ 29,714,291	\$ 33,057,730	\$ 18,421,430	\$ 20,701,695	\$ 18,323,898	\$ 11,136,631
47.39%	45.51%	45.08%	44.90%	49.05%	35.86%
75.24%	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,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contribution	\$ 1,749,276	\$ 1,431,776	\$ 1,440,335	\$ 1,025,783
Contribution in Relation to Contractually Required Contribution	<u>(1,749,276)</u>	<u>(1,431,776)</u>	<u>(1,440,335)</u>	<u>(1,025,783)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center's Covered Payroll	\$ 38,606,102	\$ 31,538,683	\$ 37,003,448	\$ 22,532,195
Contributions as a % of Covered Payroll	4.53%	4.54%	3.89%	4.55%

2020	2019	2018	2017	2016	2015
\$ 1,164,197	\$ 941,542	\$ 938,478	\$ 851,178	\$ 781,457	\$ 752,848
(1,164,197)	(941,542)	(938,478)	(851,178)	(781,457)	(752,848)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 25,786,574	\$ 24,463,793	\$ 24,571,186	\$ 22,556,245	\$ 20,618,432	\$ 18,328,960
4.51%	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>2023</u>	<u>2022</u>	<u>2021</u>
Center's Proportion of the Net OPEB Liability (Asset)	0.041368236%	0.044136489%	0.036344361%
Center's Proportionate Share of the Net OPEB Liability (Asset)	\$ 9,158,226	\$ 10,568,043	\$ 14,019,644
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the Center	<u>11,050,808</u>	<u>12,891,352</u>	<u>18,783,199</u>
Total	<u>\$ 20,209,034</u>	<u>\$ 23,459,395</u>	<u>\$ 32,802,843</u>
Center's Covered Payroll	\$ 31,538,683	\$ 27,095,109	\$ 37,003,488
Center's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	29.04%	39.00%	37.89%
Plan Fiduciary Net Position as a % of Total OPEB Liability	14.94%	11.52%	6.18%

Note: Only seven 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>	<u>2017</u>
0.042276640%	0.040770121%	0.040684660%	0.039181105%
\$ 16,071,260	\$ 19,280,688	\$ 20,314,223	\$ 17,038,393
<u>21,595,921</u>	<u>25,619,724</u>	<u>15,721,741</u>	<u>13,398,780</u>
<u>\$ 37,667,181</u>	<u>\$ 44,900,412</u>	<u>\$ 36,035,964</u>	<u>\$ 30,437,173</u>
\$ 22,532,195	\$ 25,786,574	\$ 36,035,964	\$ 30,437,173
71.33%	74.77%	56.37%	55.98%
4.99%	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>2024</u>	<u>2023</u>	<u>2022</u>
Contractually Required Contribution	\$ 422,183	\$ 356,709	\$ 368,496
Contribution in Relation to Contractually Required Contribution	<u>(422,183)</u>	<u>(356,709)</u>	<u>(368,496)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center's Covered Payroll	\$ 38,606,102	\$ 31,538,683	\$ 37,003,488
Contributions as a % of Covered Payroll	1.09%	1.13%	1.00%

Note: Only seven 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 278,298	\$ 314,010	\$ 281,740	\$ 282,885
<u>(278,298)</u>	<u>(314,010)</u>	<u>(281,740)</u>	<u>(282,885)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 22,532,195	\$ 25,786,574	\$ 24,463,793	\$ 24,931,186
1.24%	1.22%	1.15%	1.13%

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

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, 2024

		206	211	212	220
Data Control Codes		ESEA Title III	ESEA TIA Improving Basic Programs	ESEA Title I, Migrant	Adult Ed Program
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	921	253,620	231,669	150,334
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1410	Prepaid items	-	-	1,442	-
1000	Total Assets	\$ 921	\$ 253,620	\$ 233,111	\$ 150,334
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 17,867	\$ 66,081	\$ 573
2160	Accrued Wages Payable	-	-	-	39,500
2170	Due to Other Funds	921	235,753	167,030	110,261
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	921	253,620	233,111	150,334
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restrictions	-	-	-	-
3500	Assigned for Construction	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities, Deferred Inflows & Fund Balances	\$ 921	\$ 253,620	\$ 233,111	\$ 150,334

EXHIBIT H-1
(Continued)

225	226	241	244	255	263	278	280
IDEA Part B Preschool	IDEA Part B Discretionary	ESC Child Nutrition	C&T - Basic Grant	ESEA II,A Training & Recruitment	Title III, A English Lang. Acquisition	ESSER (ARP) Homeless Children	ESEA, Title X, Part C
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
116,904	112,061	504,436	6,696	63,811	11,104	35,109	64,274
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 116,904	\$ 112,061	\$ 504,436	\$ 6,696	\$ 63,811	\$ 11,104	\$ 35,109	\$ 64,274
\$ 32,132	\$ 22,241	\$ 8,799	\$ 248	\$ 2,321	\$ 250	\$ 8,425	\$ 11,127
-	-	-	-	-	-	-	-
84,772	89,820	495,637	6,448	61,490	10,854	26,684	53,147
-	-	-	-	-	-	-	-
116,904	112,061	504,436	6,696	63,811	11,104	35,109	64,274
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 116,904	\$ 112,061	\$ 504,436	\$ 6,696	\$ 63,811	\$ 11,104	\$ 35,109	\$ 64,274

REGION ONE EDUCATION SERVICE CENTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2024

		281	282	288	289
Data Control Codes		ESSER II CRRSA Act Supplemental	ESSER III ARP Act	Other Federal Funds	Other Federal SRF
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	-	307,579	676,309	302,206
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	\$ -	\$ 307,579	\$ 676,309	\$ 302,206
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 78,519	\$ 173,113	\$ 43,542
2160	Accrued Wages Payable	-	-	1,093	-
2170	Due to Other Funds	-	229,060	502,103	258,664
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	-	307,579	676,309	302,206
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restrictions	-	-	-	-
3500	Assigned for Construction	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities, Deferred Inflows & Fund Balances	\$ -	\$ 307,579	\$ 676,309	\$ 302,206

EXHIBIT H-1
(Continued)

313	314	331	350	367	385	405	410
Shared Service Arrangements - IDEA Part B, Formula	Shared Service Arrangements - IDEA Part B, Preschool	Texas Reading First	SSA ESEA III, A English Lang. Acquisition	APR Homeless II	Visually Impaired SSVI	ESC Gifted and Talented	State Ins. Material
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
43,874	3,998	40,234	23,091	721	69,372	1,481	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 43,874	\$ 3,998	\$ 40,234	\$ 23,091	\$ 721	\$ 69,372	\$ 1,481	\$ -
\$ 3,598	\$ 1,737	\$ -	\$ -	\$ -	\$ 2,409	\$ 486	\$ -
-	-	-	-	-	-	-	-
40,276	2,261	40,234	23,091	721	66,963	995	-
-	-	-	-	-	-	-	-
43,874	3,998	40,234	23,091	721	69,372	1,481	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 43,874	\$ 3,998	\$ 40,234	\$ 23,091	\$ 721	\$ 69,372	\$ 1,481	\$ -

REGION ONE EDUCATION SERVICE CENTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2024

		414	429	437	482
Data Control Codes		Texas Reading / Texas Math and Science Initiative	Other State SRF	Shared Services Arrangements - Special Education	Financial Literacy
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 3,183
1240	Receivables from Other Governments	9,154	921,605	206,365	-
1260	Due from Other Funds	-	-	-	40,000
1290	Other Receivables	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	\$ 9,154	\$ 921,605	\$ 206,365	\$ 43,183
LIABILITIES					
2110	Accounts Payable	\$ 6,717	\$ 97,057	\$ 1,204	\$ 865
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	2,437	824,548	205,161	285
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	9,154	921,605	206,365	1,150
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restrictions	-	-	-	42,033
3500	Assigned for Construction	-	-	-	-
3000	Total Fund Balances	-	-	-	42,033
4000	Total Liabilities, Deferred Inflows & Fund Balances	\$ 9,154	\$ 921,605	\$ 206,365	\$ 43,183

EXHIBIT H-1
(Continued)

483	485	487	490	491	498 Locally Funded Special Revenue Funds - Locally Defined	499 Other Local SRF	698 Capital Projects
T-STEAM Training	School Safety	ECI State	Chapter 41	STAAR One Item Bank			
\$ 1,933	\$ 4,632	\$ -	\$ 5,000	\$ 302	\$ 4,003	\$ 266	\$ 71,829
-	300	935,398	-	4,868	-	14,606	-
160,000	-	-	165,000	219,000	50,000	1,142,000	-
-	-	-	-	-	-	63,048	-
-	-	-	-	-	-	-	-
\$ 161,933	\$ 4,932	\$ 935,398	\$ 170,000	\$ 224,170	\$ 54,003	\$ 1,219,920	\$ 71,829
\$ -	\$ -	\$ 106,765	\$ -	\$ -	\$ 27,665	\$ 36,219	\$ -
-	-	408	-	-	-	-	-
-	-	811,857	-	-	1,814	3,452	-
-	-	-	-	-	24,524	79,819	-
-	-	919,030	-	-	54,003	119,490	-
161,933	4,932	16,368	170,000	224,170	-	1,100,430	-
-	-	-	-	-	-	-	71,829
161,933	4,932	16,368	170,000	224,170	-	1,100,430	71,829
\$ 161,933	\$ 4,932	\$ 935,398	\$ 170,000	\$ 224,170	\$ 54,003	\$ 1,219,920	\$ 71,829

REGION ONE EDUCATION SERVICE CENTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2024

EXHIBIT H-1
Concluded)

Data Control Codes	Total Other Funds
ASSETS	
1110 Cash and Cash Equivalents	\$ 91,148
1240 Receivables from Other Governments	5,112,100
1260 Due from Other Funds	1,776,000
1290 Other Receivables	63,048
1410 Prepaid items	1,442
1000 Total Assets	<u>\$ 7,043,738</u>
LIABILITIES	
2110 Accounts Payable	\$ 749,960
2160 Accrued Wages Payable	41,001
2170 Due to Other Funds	4,356,739
2300 Unearned Revenue	104,343
2000 Total Liabilities	<u>5,252,043</u>
FUND BALANCES	
Restricted Fund Balance:	
3450 Federal or State Funds Grant Restrictions	1,719,866
3500 Assigned for Construction	71,829
3000 Total Fund Balances	<u>1,791,695</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,043,738</u>

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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, 2024

		206	211	212	220
Data Control Codes		ESEA Title III	ESEA TIA Improving Basic Programs	ESEA T-1C Migratory Children	Adult Ed Program
	REVENUES:				
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	350,271
5900	Federal Program Revenues	61,579	1,559,905	1,421,467	2,955,967
5020	Total Revenues	61,579	1,559,905	1,421,467	3,306,238
	EXPENDITURES:				
	Current:				
11	Instruction	815	-	-	1,839,106
13	Curriculum and Instructional Staff Development	-	1,039,909	298,264	4,509
21	Instructional Leadership	-	170,034	130,938	167,979
23	School Leadership	-	-	-	996,227
31	Guidance, Counseling and Evaluation Services	-	-	-	-
33	Health Services	-	-	-	-
41	General Administration				
51	Facilities Maintenance and Operations	1,143	46,629	84,105	203,814
53	Data Processing Services	719	23,519	27,974	94,603
61	Community Services	-	-	3,350	-
62	School District Administrative Support Services	58,902	279,814	876,836	-
	Intergovernmental:				
93	Payment to Fiscal Agent of SSA	-	-	-	-
6030	Total Expenditures	61,579	1,559,905	1,421,467	3,306,238
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
1200	Net Change in Fund Balances	-	-	-	-
0100	Fund Balance - (Beginning)	-	-	-	-
3000	Fund Balance - (Ending)	\$ -	\$ -	\$ -	\$ -

EXHIBIT H-2
(Continued)

225	226	241	244	255	263	278	280
IDEA Part B Preschool	IDEA Part B Discretionary	ESC Child Nutrition	C&T - Basic Grant	ESEA II, A Training & Recruitment	Title III, A English Lang. Acquisition	ESSER (ARP) Homeless Children	ESEA, Title X, Part C
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
286,183	370,572	636,985	70,730	196,670	106,607	50,063	253,564
286,183	370,572	636,985	70,730	196,670	106,607	50,063	253,564
-	-	-	-	-	-	-	-
272,132	347,999	-	63,508	105,869	106,607	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
10,650	15,412	36,304	3,270	-	-	406	-
3,401	7,161	14,370	3,952	-	-	1,198	-
-	-	-	-	-	-	-	-
-	-	586,311	-	90,801	-	48,459	253,564
-	-	-	-	-	-	-	-
286,183	370,572	636,985	70,730	196,670	106,607	50,063	253,564
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2024

		281	282	288	289
Data Control Codes		ESSER II CRRSA Act Supplemental	ESSER III ARP Act	Other Federal Funds	Other Federal SRF
	REVENUES:				
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	59,271	1,524,727	2,641,818	2,640,919
5020	Total Revenues	59,271	1,524,727	2,641,818	2,640,919
	EXPENDITURES:				
	Current:				
11	Instruction	-	-	23,975	115,817
13	Curriculum and Instructional Staff Development	50,162	745,081	956,549	322,362
21	Instructional Leadership	9,109	127,670	706,999	270,379
23	School Leadership	-	-	-	-
31	Guidance, Counseling and Evaluation Services	-	-	250,961	16,443
33	Health Services	-	-	-	1,037,760
41	General Administration				
51	Facilities Maintenance and Operations	-	51,501	29,745	42,770
53	Data Processing Services	-	22,949	17,832	23,711
61	Community Services	-	-	33,168	165,455
62	School District Administrative Support Services	-	577,526	512,995	608,639
	Intergovernmental:				
93	Payment to Fiscal Agent of SSA	-	-	109,594	37,583
6030	Total Expenditures	59,271	1,524,727	2,641,818	2,640,919
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
1200	Net Change in Fund Balances	-	-	-	-
0100	Fund Balance - (Beginning)	-	-	-	-
3000	Fund Balance - (Ending)	\$ -	\$ -	\$ -	\$ -

EXHIBIT H-2
(Continued)

313	314	331	350	367	385	405	410
Shared Service Arrangements - IDEA Part B, Formula	Shared Service Arrangements - IDEA Part B, Preschool	Texas Reading First	SSA ESEA III, A English Lang. Acquisition	APR Homeless II	Visually Impaired SSVI	ESC Gifted and Talented	State Ins. Material
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	293,928	9,823	11,200
107,235	3,734	136,570	80,935	4,297	-	-	-
107,235	3,734	136,570	80,935	4,297	293,928	9,823	11,200
101,339	153	12,927	-	-	163,971	-	-
5,896	3,581	77,733	56,110	-	106,167	9,823	-
-	-	-	-	-	-	-	11,200
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	16,030	-	-
-	-	910	-	-	7,760	-	-
-	-	-	7,700	-	-	-	-
-	-	-	-	4,297	-	-	-
-	-	45,000	17,125	-	-	-	-
107,235	3,734	136,570	80,935	4,297	293,928	9,823	11,200
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2024

Data Control Codes		414	429	437	482
		Texas Reading / Texas Math and Science Initiative	Other State SRF	Shared Services Arrangements - Special Education	Financial Literacy
	REVENUES:				
5700	Local and Intermediate Sources	\$ -	\$ -	\$ 348,474	\$ 8,784
5800	State Program Revenues	178,967	3,286,743	-	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	178,967	3,286,743	348,474	8,784
	EXPENDITURES:				
	Current:				
11	Instruction	-	78,050	136,432	2,357
13	Curriculum and Instructional Staff Development	178,967	2,303,647	159,821	14,423
21	Instructional Leadership	-	360,940	-	3,702
23	School Leadership	-	-	-	-
31	Guidance, Counseling and Evaluation Services	-	-	28,579	-
33	Health Services	-	-	-	-
41	General Administration				
51	Facilities Maintenance and Operations	-	136,806	14,062	-
53	Data Processing Services	-	52,976	9,580	-
61	Community Services	-	15,240	-	6,312
62	School District Administrative Support Services	-	339,084	-	-
	Intergovernmental:				
93	Payment to Fiscal Agent of SSA	-	-	-	-
6030	Total Expenditures	178,967	3,286,743	348,474	26,794
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(18,010)
1200	Net Change in Fund Balances	-	-	-	(18,010)
0100	Fund Balance - (Beginning)	-	-	-	60,043
3000	Fund Balance - (Ending)	\$ -	\$ -	\$ -	\$ 42,033

EXHIBIT H-2
(Continued)

483	485	487	490	491	498	499	698
T-STEAM Training	School Safety	ECI State	Chapter 41	STAAR One Item Bank	Locally Funded Special Revenue Funds - Locally Defined	Other Local SRF	Capital Projects
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,643	\$ 1,443,648	\$ -
-	-	2,137,636	-	-	-	-	-
-	-	5,248,845	-	-	-	-	-
-	-	7,386,481	-	-	167,643	1,443,648	-
-	-	5,857,697	-	-	-	148,982	-
-	-	61,269	-	-	103,885	318,783	-
-	-	1,017,607	-	-	63,758	179,706	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	636,806	-
-	-	-	-	-	-	-	-
-	-	258,417	-	-	-	554	-
-	-	167,860	-	-	-	6,033	-
-	-	23,631	-	-	-	16,803	-
-	-	-	-	-	-	17,079	-
-	-	-	-	-	-	75,000	-
-	-	-	-	-	-	59,591	-
-	-	7,386,481	-	-	167,643	1,459,337	-
-	-	-	-	-	-	(15,689)	-
-	-	-	-	-	-	(15,689)	-
161,933	4,932	16,368	170,000	224,170	-	1,116,119	71,829
\$ 161,933	\$ 4,932	\$ 16,368	\$ 170,000	\$ 224,170	\$ -	\$ 1,100,430	\$ 71,829

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, 2024

EXHIBIT H-2
(Concluded)

Data Control Codes		Total Other Funds
REVENUES:		
5700	Local and Intermediate Sources	\$ 1,968,549
5800	State Program Revenues	6,268,568
5900	Federal Program Revenues	20,418,643
5020	Total Revenues	<u>28,655,760</u>
EXPENDITURES:		
Current:		
11	Instruction	8,481,621
13	Curriculum and Instructional Staff Development	7,713,056
21	Instructional Leadership	3,220,021
23	School Leadership	996,227
31	Guidance, Counseling and Evaluation Services	932,789
33	Health Services	1,037,760
41	General Administration	554
51	Facilities Maintenance and Operations	957,097
53	Data Processing Services	497,278
61	Community Services	271,935
62	School District Administrative Support Services	4,312,228
Intergovernmental:		
93	Payment to Fiscal Agent of SSA	268,893
6030	Total Expenditures	<u>28,689,459</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(33,699)</u>
1200	Net Change in Fund Balances	(33,699)
0100	Fund Balance - (Beginning)	1,825,394
3000	Fund Balance - (Ending)	<u>\$ 1,791,695</u>

REGION ONE EDUCATION SERVICE CENTER
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2024

	752	754	799	
	Print Shop	Computer Operations	Internal Service Fund	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 1	\$ 57,747	\$ 57,748
Due from Other Governments	339,901	11,001	231,171	582,073
Due from Other Funds	103,340	14,348	113,576	231,264
Accounts Receivable	250	-	-	250
Inventories	171,704	-	10,116	181,820
Worker's Comp	-	4,167	428,459	432,626
Non-current Assets				
Capital Assets				
Buildings and Buildings Improvements	-	-	11,849,062	11,849,062
Furniture and Equipment	63,453	500,598	549,930	1,113,981
Right-to-use Assets - Leases	329,763	104,723	158,543	593,029
Accumulated Depreciation	(100,897)	(588,117)	(1,875,885)	(2,564,899)
Total Assets	907,514	46,721	11,522,719	12,476,954
LIABILITIES				
Accounts Payable	26,926	14,029	151,349	192,304
Accrued Wages Payable	-	-	22,440	22,440
Due to Other Funds	-	-	55	55
Non-current Liabilities:				
Due Within One Year				
Loan Payable	-	-	665,045	665,045
Right-to-use Lease Liability	65,952	27,054	31,900	124,906
Due In More Than One Year				
Loan Payable	-	-	4,505,269	4,505,269
Right-to-use Lease Liability	214,348	-	117,389	331,737
Total Liabilities	307,226	41,083	5,493,447	5,841,756
NET POSITION				
Net Investment in Capital Assets	12,019	(9,850)	5,362,047	5,364,216
Unrestricted Net Position	588,269	15,488	667,225	1,270,982
Total Net Position	\$ 600,288	\$ 5,638	\$ 6,029,272	\$ 6,635,198

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, 2024

	752	754	799	
	Print Shop	Computer Operations	Internal Service Fund	Total Internal Service Funds
OPERATING REVENUES:				
Interfund Services	\$ 466,775	\$ 1,037,089	\$ 3,022,681	\$ 4,526,545
Local and Intermediate Sources	223,469	-	5,726	229,195
Total Operating Revenue	<u>690,244</u>	<u>1,037,089</u>	<u>3,028,407</u>	<u>4,755,740</u>
OPERATING EXPENSES:				
Curriculum and Staff Development	-	-	61,443	61,443
General Administration	33,214	-	42,647	75,861
Facilities Maintenance and Operations	188,977	250,903	3,511,223	3,951,103
Security and Monitoring Services	-	-	102,691	102,691
Data Processing Services	23,950	1,240,115	39,136	1,303,201
School District Administrative Support Services	1,080,926	-	-	1,080,926
Total Operating Expenses	<u>1,327,067</u>	<u>1,491,018</u>	<u>3,757,140</u>	<u>6,575,225</u>
Operating Income (Loss)	<u>(636,823)</u>	<u>(453,929)</u>	<u>(728,733)</u>	<u>(1,819,485)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest on Long-Term Liabilities	<u>(10,999)</u>	<u>(3,910)</u>	<u>(170,661)</u>	<u>(185,570)</u>
Total Nonoperating Revenues (Expenses)	<u>(10,999)</u>	<u>(3,910)</u>	<u>(170,661)</u>	<u>(185,570)</u>
Operating Income Before Transfers	<u>(647,822)</u>	<u>(457,839)</u>	<u>(899,394)</u>	<u>(2,005,055)</u>
TRANSFERS:				
Transfers In	<u>706,596</u>	<u>426,432</u>	<u>-</u>	<u>1,133,028</u>
Change in Net Position	58,774	(31,407)	(899,394)	(872,027)
Total Net Position - Beginning, as previously reported	541,514	37,045	2,027,066	2,605,625
Error Correction	-	-	4,901,600	4,901,600
Total Net Position - Beginning, restated	<u>541,514</u>	<u>37,045</u>	<u>6,928,666</u>	<u>7,507,225</u>
Total Net Position - Ending	<u>\$ 600,288</u>	<u>\$ 5,638</u>	<u>\$ 6,029,272</u>	<u>\$ 6,635,198</u>

REGION ONE EDUCATION SERVICE CENTER
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

	752	754	799	
	Print Shop	Computer Operations	Internal Service Fund	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 657,808	\$ 1,035,579	\$ 3,058,926	4,752,313
Cash Payments to Employees for Services	(852,330)	(838,882)	(1,742,175)	(3,433,387)
Cash Payments for Contracted Services	(268,544)	(346,336)	598,938	(15,942)
Cash Payments for Suppliers	(160,954)	(222,296)	(717,478)	(1,100,728)
Cash Payments for Other Operating Expenses	(67,606)	(10,575)	(86,991)	(165,172)
Net Cash Used In Operating Activities	(691,626)	(382,510)	1,111,220	37,084
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers from Other Funds	706,596	426,432	-	1,133,028
Net Cash Provided by Noncapital Financing Activities	706,596	426,432	-	1,133,028
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Purchases of Capital Assets	(23,529)	(33,069)	(264,076)	(320,674)
Principal Payments on Long-term Debt	(49,818)	(25,171)	(677,175)	(752,164)
Interest Paid on Long-term Debt	(10,999)	(3,910)	(166,283)	(181,192)
Net Cash Used by Capital and Related Financing Activities	(84,346)	(62,150)	(1,107,534)	(1,254,030)
Net Increase (Decrease) in Cash and Cash Equivalents	(69,376)	(18,228)	3,686	(83,918)
Cash and Cash Equivalents at Beginning of Year	69,376	18,229	54,061	141,666
Cash and Cash Equivalents at End of Year	\$ -	\$ 1	\$ 57,747	\$ 57,748
<u>Reconciliation of Operating Income to Net Cash Used In Operating Activities:</u>				
Operating Income (Loss):	\$ (636,823)	\$ (453,929)	\$ (728,733)	\$ (1,819,485)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:				
Depreciation expense	72,116	76,366	556,817	705,299
Effects of Increases and Decreases in Current Assets and Liabilities:				
(Increase) Decrease in Due from Other Governments	(32,436)	(10,662)	30,519	(12,579)
(Increase) Decrease in Due from Other Funds	11,332	9,942	1,656,220	1,677,494
(Increase) Decrease in Inventories	(89,472)	-	(10,116)	(99,588)
(Increase) Decrease in Prepaid Items	-	(4,167)	(428,459)	(432,626)
(Increase) Decrease in Security Deposits	-	-	404	404
Increase (Decrease) in Accounts Payables	(14,924)	730	18,055	3,861
Increase (Decrease) in Accrued Wages Payable	(1,419)	-	18,635	17,216
Increase (Decrease) in Due to Other Funds	-	(790)	(2,122)	(2,912)
Net Cash Used In Operating Activities	\$ (691,626)	\$ (382,510)	\$ 1,111,220	\$ 37,084

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SINGLE AUDIT SECTION

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

To the Board of Trustees
Region One Education Service Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2024, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated January 10, 2025.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Center's Response to Finding

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 McArthur & Long, LLP

McAllen, Texas
January 10, 2025

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

To the Board of Trustees
Region One Education Service Center

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, 2024. The Center's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2024.

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; 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, the Uniform Guidance and the *Texas Grant Management Standards* are further described in the Auditor's 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.

Auditor's 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 the 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 and the Texas Grant Management Standards, 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the noncompliance 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.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-002, 2024-003 and 2024-004 to be significant deficiencies.

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 and the Texas Grant Management Standards. Accordingly, this report is not suitable for any other purpose.

Barton McCall & Hogen, LLP

McAllen, Texas
January 10, 2025

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REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal Control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ 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 auditor’s report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X yes _____ no

Identification of major programs:

Federal Assistance Listing Numbers (ALN)

Name of Federal Program or Cluster

84.002A

Adult Education and Literacy Service Provider

84.184X

School Safety National Activities

84.047M

TRIO Cluster

84.047A

Trio Upward Bound

84.066A

Trio Upward Bound

Trio Educational Opportunity Centers

84.334A

Gaining Early Awareness and Readiness for Undergraduate Programs

10.560

State Administrative Expenses for Child Nutrition

Dollar threshold used to distinguish between Type A and Type B federal programs:

\$1,008,064

Low Risk Auditee:

No

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

Section I – Summary of Auditor’s 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 auditor’s report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X yes _____ no

Identification of major programs:

Federal Assistance Listing Numbers (ALN)

Name of State Program or Cluster

N/A

Early Childhood Intervention

N/A

ESC IDEA-B Special Education Leadership

N/A

ESC Intruder Detection Audits Technical Assistance

Dollar threshold used to distinguish between Type A and Type B state programs:

\$750,000

Low Risk Auditee:

No

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

Section II – Financial Statement Findings

Reference Number 2024-001	Bank Reconciliations and Related Items
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. Bank reconciliations are prepared manually outside of the Center’s accounting system which may increase the risk of errors. 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. Multiple versions of the bank reconciliations for the general operating account and finance clearing account were provided during the audit process. 3. The credit card monthly statements are paid with an auto-debit payment. The Center’s process for recording individual credit card transactions is to process a “memo check” to each individual vendor with whom the Center transacted. The date on which this memo check is posted in the accounting system is based on the timing on which the supporting documentation is provided to by the credit card users to accounts payable for processing. Supporting documentation may be delayed beyond the credit card auto-debit payment date. For this reason, it is common for the total of memo checks issued to not agree to the actual auto-debit credit card payment amount that clears the Center’s bank account. Given that transactions are not posted as of the date the auto-debit credit card payment occurs, this results in inaccurate cash book balances being reported. Additionally, because supporting documentation may not be received by accounts payable before the credit card auto-debit payment is made, the cash payments may be made before the supporting documentation is reviewed. 4. During fiscal year 2024, the Center limited the number of credit cards issued to employees by implementing a check in/check out system. However, at August 31, 2024, the Center had 292 active credit cards. The Center had 297 active credit cards at August 31, 2023 (prior year).
Cause and Effect:	<p>The duty of preparing bank reconciliations was reassigned within the department. The posting of cash transactions on a date other than the date in which the payment or deposit occurs affects the cutoff of cash which may result in misstatements in the cash book 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. Additionally, the appropriate supporting documentation for all credit card transactions is not submitted to the business office by the credit card holders timely. This results in an after-the-fact review of those transactions to ensure transactions were properly approved.</p>

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

Section II – Financial Statement Findings

Reference Number 2024-001 (Continued) Bank Reconciliations and Related Items

Repeat Finding from Prior Year(s): 2023-002

Recommendation: We recommend the Center evaluate its current practices and implement controls to ensure all cash transactions (payments and cash deposits) are posted as of the date on which they occur. This includes implementing procedures to ensure credit card users submit the supporting documentation for their transactions timely. On instances in which the bank reconciliation identifies unposted transactions, we recommend the Center take action to post such transactions.

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, 2024

Section III – Federal Awards Findings

Reference Number 2024-002	Timely Time and Effort Approvals																
<p>Federal Awards: Adult Education and Literacy Service Provider (ALN 84.002A), School Safety National Activities (ALN 84.184X), TRIO Cluster (ALN 84.047M, 84.047A and 84.066A), Gaining Early Awareness and Readiness for Undergraduate Programs (ALN 84.334A) and State Administrative Expenses for Child Nutrition (ALN 10.560)</p>																	
<p>State Awards: IDEA-B Special Education Leadership, Intruder Detection Audits Technical Assistance and Early Childhood Intervention Program.</p>																	
Criteria and Condition:	<p>Internal controls must be in place to ensure the distribution of salary or wages among specific activities or cost objectives among federal or state programs is accurate. The Center's controls includes a semi-annual certification whereby employees certify 100% of their duties relate to a particular program and activities are allowed under that program. For employees whose duties are not related 100% to a particular program, a monthly certification provides an allocation among funding sources based on time-and-effort reports. These semi-annual and monthly certifications are reviewed and approved by a supervisor. We noted all certifications were not completed timely. In some cases, the supervisor approval occurred months after the period covered by the semi-annual certification. A summary, including the number of exceptions noted and samples sizes tested, follows:</p> <table data-bbox="646 1031 1417 1304"> <tbody> <tr> <td>Adult Education (ALN 84.002A)</td><td>40 of 40</td></tr> <tr> <td>School Safety National Activities (ALN 84.184X)</td><td>37 of 37</td></tr> <tr> <td>TRIO Cluster (ALN 84.047M, 84.047A and 84.066A)</td><td>36 of 37</td></tr> <tr> <td>GEAR UP (ALN 84.334A)</td><td>39 of 40</td></tr> <tr> <td>State Adm Expenses for Child Nutrition (ALN 10.560)</td><td>37 of 37</td></tr> <tr> <td>IDEA-B Special Education Leadership (State)</td><td>37 of 37</td></tr> <tr> <td>Intruder Detection Audits Technical Assistance (State)</td><td>9 of 9</td></tr> <tr> <td>Early Childhood Intervention Program (State)</td><td>40 of 40</td></tr> </tbody> </table>	Adult Education (ALN 84.002A)	40 of 40	School Safety National Activities (ALN 84.184X)	37 of 37	TRIO Cluster (ALN 84.047M, 84.047A and 84.066A)	36 of 37	GEAR UP (ALN 84.334A)	39 of 40	State Adm Expenses for Child Nutrition (ALN 10.560)	37 of 37	IDEA-B Special Education Leadership (State)	37 of 37	Intruder Detection Audits Technical Assistance (State)	9 of 9	Early Childhood Intervention Program (State)	40 of 40
Adult Education (ALN 84.002A)	40 of 40																
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TRIO Cluster (ALN 84.047M, 84.047A and 84.066A)	36 of 37																
GEAR UP (ALN 84.334A)	39 of 40																
State Adm Expenses for Child Nutrition (ALN 10.560)	37 of 37																
IDEA-B Special Education Leadership (State)	37 of 37																
Intruder Detection Audits Technical Assistance (State)	9 of 9																
Early Childhood Intervention Program (State)	40 of 40																
Cause and Effect:	<p>Certification forms are not reviewed and approved by supervisors timely. The lack of timely certification of salary or wages distribution among specific activities or cost objectives among federal or state funds may results in errors which in turn may result in ineligible costs.</p>																
Repeat Finding from Prior Year(s):	N/A																
Questioned Costs:	\$0																
Recommendation:	<p>We recommend the certifications be completed and approved by supervisors timely.</p>																
Views of Responsible Officials:	<p>See management's corrective action plan.</p>																

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

Section III – Federal Awards Findings

Reference Number 2024-003

Matching

Federal Awards: GEAR UP (ALN 84.334A)

Criteria and Condition:

The GEAR UP program requires the Center to provide a match of not less than 50% of the total cost of the program. The match may be provided in cash or in-kind and may be accrued over the full duration of the grant award period. The Center provides its match with in-kind including, but not limited to, teacher volunteers, donated materials and supplies, and office use.

Under the GEAR UP program, school districts (subrecipients) submit in-kind documentation to the Center via an electronic portal. The Center then compiles the in-kind documentation from all the subrecipients and monitors the in-kind match. We noted no documented evidence that the in-kind documentation submitted by subrecipients is being reviewed and approved by the Center. We also noted the following:

- For 3 of 40 in-kind contributions tested, we noted errors in the calculation of the total value of the in-kind contribution. These errors resulted in the in-kind value being overstated by \$14,257.
- Out of the 40 in-kind contributions tested, there were 29 in-kind contributions related to teachers or other professional volunteers. The Center uses a report from TASB to assign an hourly value to time contributed for the respective types of professionals. We noted the Center used an outdated TASB salary schedule from 2018-2019 for determining the in-kind value. For teachers, the in-kind electronic portal used by subrecipients to submit in-kind documentation auto populates the teacher hourly rate to \$50 per hour. We noted the 2018-2019 TASB salary schedule had teacher salaries at \$40 per hour. No documentation could be provided to support how the rate of \$50 per hour was derived.

Cause and Effect:

Matching information is not required to be submitted to the grantor until the annual performance report is submitted in April of each year. The Center does not perform detailed reviews of in-kind documentation at the time it is submitted by subrecipients. The lack of a detailed review may result in errors in the value of the in-kind match reported in the annual performance report and may result in non-compliance with the program's matching requirement.

Repeat Finding from Prior Year(s):

N/A

Questioned Costs:

\$0

Recommendation:

We recommend the Center strengthen internal controls to ensure the value of the in-kind match is correct and accurate. This can be accomplished by implementing a detailed review and approval process as in-kind documentation is submitted by subrecipients. We also recommend documentation be maintained to support the hourly values used for teachers and other professionals, including updating the rates annually.

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, 2024

Section III – Federal Awards Findings

Reference Number 2024-004

Subaward Agreements

Federal Awards: GEAR UP (ALN 84.334A)

Criteria and Condition:

A pass-through entity must clearly identify to the subrecipient; (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.332(b)(1); (2) all requirements imposed by the pass-through entity on the subrecipient so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the award; and (3) any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility for the federal award. We noted a formal subaward agreement outlining all the required information is not prepared and executed by the Center (pass-through entity) and its subrecipients.

Amended guidance was communicated to the Center as 34 CFR 75.127 through 75.129 was amended on August 29, 2024. Under this new guidance, an agreement that details the activities that each member of the group plans to perform, and binds each member of the group to every statement and assurance made by the application will be required on an ongoing basis. The Center intends to comply with this requirement on an ongoing basis.

Cause and Effect:

The Center provides separate documents to its subrecipients such as the District/Campus Commitment Form that outlines some of the applicable compliance requirements and a Program Budget Award Worksheet. A formal subaward agreement executed by both parties containing all the information required by 200.332(b)(1) is not in place. This results in non-compliance with subrecipient monitoring requirements.

Repeat Finding from Prior Year(s):

N/A

Questioned Costs:

\$0

Recommendation:

As 34 CFR 75.127 through 75.129 was amended on August 29, 2024, we recommend management implement this guidance and maintain formal agreements between the Center and the subrecipients/partners in the program.

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, 2024

Section IV – State Award Findings

Reference Number 2024-002	Timely Time and Effort Approvals
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Finding 2024-003 related to internal controls over time and effort documentation as noted in the Federal Award Findings section is also applicable to the state award programs listed below. Please refer to 2024-003 in the Federal Award Findings section of the Schedule of Findings and Questioned Costs.

- ESC IDEA-B Special Education Leadership
- ESC Intruder Detection Audits Technical Assistance
- Early Childhood Intervention

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

FEDERAL GRANTER/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER Title	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures	(4) Passed through to Subrecipients
FEDERAL AWARDS				
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<u>Passed Through Texas Department of Agriculture:</u>				
State Administrative Expenses for Child Nutrition (ESC Child Nutrition Program)	10.560	108-950	\$ 713,091	\$ -
Total Federal ALN 10.560			713,091	-
Total Passed Through Texas Department of Agriculture			713,091	-
<u>Passed Through Texas Health and Human Services Commission:</u>				
<i>SNAP Cluster</i>				
State Administrative Matching Grants For The Supplemental Nutrition Assistance Program (SNAP - Ed)	10.561	HHS000640200034	80,913	-
Total Federal ALN 10.561			80,913	-
<i>Total SNAP Cluster</i>			80,913	-
Total Passed Through Texas Health and Human Services Commission			80,913	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 794,004	\$ -
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<u>Direct Programs:</u>				
<i>TRIO Cluster</i>				
Trio Upward Bound (STEM Link to College and Careers)	84.047M	P047M220132	\$ 309,822	\$ 26,631
Total Federal ALN 84.047M			309,822	26,631
Trio Upward Bound (Upward Bound GEAR UP for College)	84.047A	P047A230032	292,316	10,951
Total Federal ALN 84.047A			292,316	10,951
Trio Educational Opportunity Centers (Operation College Bound)	84.066A	P066A210044	281,021	-
Total Federal ALN 84.066A			281,021	-
<i>Total TRIO Cluster</i>			883,159	37,582
Career And Technical Education - National Programs (RGV Operation Youth Career Link)	84.051F	V051F230015	310,263	-
Total Federal ALN 84.051F			310,263	-
School Safely National Activities (Building Mental Health Leaders)	84.184X	S184X220033	1,081,333	63,387
Total Federal ALN 84.184X			1,081,333	63,387
BLOOM - Building Leadership Outreach, Opportunities and Memories	84.215G	S215G230011	496,682	-
Total Federal ALN 84.215G			496,682	-
Gaining Early Awareness And Readiness For Undergraduate Programs (Title IV, Pathways to the Future!, GEAR UP Program)	84.334A	P334A210014	5,375,280	3,015,144
Gaining Early Awareness And Readiness For Undergraduate Programs (Title IV, College Ready, GEAR UP Program)	84.334A	P334A180024	4,261,133	2,349,046
Gaining Early Awareness And Readiness For Undergraduate Programs (Title IV, College Now, GEAR UP Program)	84.334A	P334A180025	5,598,837	3,292,219
Total Federal ALN 84.334A			15,235,250	8,656,409
Education Innovation And Research (Formerly Investing In Innovation (I3) Fund) (Project LIFT - Linking Innovation Fostering Transition)	84.411C	S411C230008	261,143	-
Total Federal ALN 84.411C			261,143	-
American History And Civics Education (Legacy and Legends)	84.422B	S422B230065	601,722	16,288
Total Federal ALN 84.422B			601,722	16,288
Total Direct Programs			18,869,552	8,773,666

EXHIBIT K-1
(Continued)

**REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024**

FEDERAL GRANTER/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER Title	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures	(4) Passed through to Subrecipients
<i>Passed Through State Department of Education:</i>				
Title I Grants To Local Educational Agencies (ESC School Improvement Facilitation)	84.010A	236101547110001	1,133,684	-
Title I Grants To Local Educational Agencies (ESC ESSA Basic Services - 6101)	84.010A	246101197110001	74,781	-
Title I Grants To Local Educational Agencies (TX Instructional Leader Expansion -Title I, A)	84.010A	246101457110001	375,827	-
Title I Grants To Local Educational Agencies (ESC Texas Instructional Leadership (TIL) Lead)	84.010A	236101507110001	162,042	-
Total Federal ALN 84.010A			1,746,334	-
Migrant Education State Grant Program (ESC ESSA Basic Services - 6150)	84.011A	246150027110001	1,366,235	-
Migrant Education State Grant Program (MEP Systems Initiative)	84.011A	246150377110001	225,302	-
Total Federal ALN 84.011A			1,591,537	-
<i>Special Education Cluster (IDEA)</i>				
Special Education Grants To States (ESC IDEA-B Sensory IMP)	84.027A	246600227110001	71,280	-
Special Education Grants To States (ESC IDEA-B Special Education Leadership)	84.027A	246600587110001	343,592	-
Special Education Grants To States (IDEA B Formula)	84.027A	246600011089506600	120,011	-
Total Federal ALN 84.027A			534,883	-
Special Education Preschool Grants (ESC IDEA-B Preschool)	84.173A	246610227110001	320,280	-
Special Education Preschool Grants (IDEA B Preschool)	84.173A	246610011089506610	4,169	-
Total Federal ALN 84.173A			324,449	-
<i>Total Special Education Cluster (IDEA)</i>			859,332	-
Career And Technical Education -- Basic Grants To States (ESC CTE Leadership)	84.048A	244200097110001	32,921	-
Career And Technical Education -- Basic Grants To States (2023-2024 Effective Advertising Planning Grant)	84.048A	234200337110003	118,543	45,000
Career And Technical Education -- Basic Grants To States (23-24 Perkins V: Strengthening CTE for 21st Century)	84.048A	24420006108950	25,287	-
Career And Technical Education -- Basic Grants To States (ESC CTE Admin)	84.048A	244200107110001	45,716	-
Total Federal ALN 84.048A			222,467	45,000
Migrant Education Coordination Program (MEP Systems Initiative)	84.144F	246152377110001	265	-
Total Federal ALN 84.144F			265	-
Education For Homeless Children And Youth (2023-2024 ESC TECHY Capacity Building Grant)	84.196A	244600087110001	69,009	-
Total Federal ALN 84.196A			69,009	-
English Language Acquisition State Grants (ESC Title III Supports)	84.365A	246710027110001	119,396	-
English Language Acquisition State Grants (Title III, Part A-ELA)	84.365A	23671001108950	4,790	-
English Language Acquisition State Grants (Title III, Part A-ELA)	84.365A	24671001108950	76,608	13,960
English Language Acquisition State Grants (Title III, Part A-Immigrant)	84.365A	24671003108950	7,163	3,165
Total Federal ALN 84.365A			207,957	17,125
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants (ESC ESSA Basic Services - 6945)	84.367A	246945747110001	20,817	-
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants (Texas Strategic Compensation for ESCS)	84.367A	236945877110001	99,468	-
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants (TX Instructional Leader Expansion-Title II, A)	84.367A	236945737110001	95,973	-
Total Federal ALN 84.367A			216,258	-
Student Support And Academic Enrichment Program (ESC TTL IV Mental Behavioral Health TS)	84.424A	246801117110001	58,161	-
Student Support And Academic Enrichment Program (ESC ESSA Basic Services - 6801)	84.424A	246801057110001	129,980	-
Total Federal ALN 84.424A			188,141	-
Student Support And Academic Enrichment Program (Stronger Connections Tech Assist)	84.424F	236811047110001	17,980	-
Total Federal ALN 84.424F			17,980	-

EXHIBIT K-1
(Continued)

**REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024**

FEDERAL GRANTER/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER Title	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures	(4) Passed through to Subrecipients
Elementary and Secondary School Emergency Relief (ESSER I and II) Fund (ESC THL Dedicated Staff - ESSER II)	84.425D	215210407110001	66,426	-
Total Federal ALN 84.425D			66,426	-
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund (ESC ESSER III Tech Assist)	84.425U	215280457110001	104,732	-
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund (ESC Texas Tutoring Support)	84.425U	215280277110001	356,859	-
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund (Texas Strategic Leadership ESC Pilot Certification)	84.425U	215280847110001	321,466	-
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund (ESC THL Dedicated Staff - ESSER III)	84.425U	215280407110001	465,616	-
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund (ESC OP Support Accelerated Learning)	84.425U	215280417110001	458,608	-
Total Federal ALN 84.425U			1,707,281	-
American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth (ARP Homeless II)	84.425W	21533002108950	4,813	-
American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth (ARP Homeless I-ESC Capacity Building SUPP)	84.425W	215330037110001	55,972	-
American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth (ARP Homeless II, ESC COVID Recovery)	84.425W	215330047110001	283,925	-
Total Federal ALN 84.425W			344,710	-
ESC ESSA Basic Services - 6000	84.999	246000117110001	42,111	-
Total Federal ALN 84.999			42,111	-
Total Passed Through State Department of Education			7,279,808	62,125
<u>Passed Through Texas Health and Human Services Commission:</u>				
<u>Special Education Cluster (IDEA)</u>				
Special Education-Grants to States	84.027	HHS000640200034	144,443	-
Total Federal ALN 84.027			144,443	-
Special Education-Grants for Infants & Families with Disabilities	84.181	HHS000640200034	878,233	-
Total Federal ALN 84.181			878,233	-
Every Student Succeeds Act/Preschool Development Grants (PDG Training)	93.434	HHS000640200034	111,887	-
Total Federal ALN 93.434			111,887	-
Total Passed Through Texas Health and Human Services Commission			1,134,563	-
<u>Passed Through Texas Workforce Commission:</u>				
Adult Education and Literacy Service Provider	84.002A	2318ALAF00	2,756,263	-
Adult Education and Literacy Service Provider	84.002A	2924ALA028	208,859	-
Total Federal ALN 84.002A			2,965,122	-
Total Passed Through Texas Workforce Commission			2,965,122	-
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 30,249,045	\$ 8,835,791
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>				
<u>Direct Programs:</u>				
Demonstration Grants For Domestic Victims Of Human Trafficking (Human Trafficking Youth Prevention Education)	93.327	90TV0051	\$ 475,828	\$ -
Total Federal ALN 93.327			475,828	-
Total Direct Programs			475,828	-

**REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024**

FEDERAL GRANTER/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER Title	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures	(4) Passed through to Subrecipients
<u>Passed Through State Department of Education:</u>				
Public Health Emergency Response: Cooperative Agreement For Emergency Response:				
Public Health Crisis Response (COVID-19 Public Health Workforce Supplemental)	93.354	223934017110001	1,175,956	963,264
Total Federal ALN 93.354			1,175,956	963,264
Total Passed Through State Department of Education			1,175,956	963,264
<u>Passed Through Texas Workforce Commission:</u>				
Temporary Assistance For Needy Families (Adult Education and Literacy Service Provider Grant)	93.558	2318ALAF00	237,228	-
Temporary Assistance For Needy Families (Adult Education and Literacy Service Provider Grant)	93.558	2924ALA028	3,317	-
Total Federal ALN 93.558			240,545	-
Total Passed Through Texas Workforce Commission			240,545	-
<u>Passed Through Texas Health and Human Services Commission:</u>				
Temporary Assistance For Needy Families (Special Education-Temporary Assistance for Needy Families)	93.558	HHS000640200034	214,547	-
Temporary Assistance For Needy Families (School Based Intervention Program)	93.558	HHS001406700001	72,344	29,919
Total Federal ALN 93.558			286,891	29,919
Child Care And Development Block Grant (TWC)	93.575	HHS000640200034	1,365	-
Total Federal ALN 93.575			1,365	-
<u>Medicaid Cluster</u>				
Medicaid Administrative Claiming Program	93.778	529-11-0040-00016	378,480	-
Total Federal ALN 93.778			378,480	-
Total Medicaid Cluster			378,480	-
Total Passed Through Texas Health and Human Services Commission			666,736	29,919
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			\$ 2,559,065	\$ 993,183
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 33,602,114	\$ 9,828,974
<u>STATE AWARDS</u>				
<u>State Department of Education:</u>				
ESC State Base	N/A	240280017120001	\$ 257,608	\$ -
ESC Statewide SSVI	N/A	241019027110001	329,142	-
Reading Academies ESC Implementation Grant	N/A	230266117110001	41,672	-
Reading Academies ESC Implementation Grant	N/A	230268117110001	158,272	-
ESC State Gifted and Talented	N/A	241010027110001	11,000	-
IM Portal ESC Review And Support	N/A	232500137110001	12,552	-
Fentanyl Contamination	N/A	240315407110001	11,051	-
ESF Diagnostic Expansion Support	N/A	230291827110001	59,923	-
ESC Intruder Detection Audits Technical Assistance	N/A	240325017110001	343,639	-
Texas Strategic Leadership ESC Pilot Certification	N/A	230387177110001	45,873	-
Texas Strategic Staffing ESC	N/A	240291037110001	1,734	-
2022-2023 Math Academies ESC Implementation Grant	N/A	230281057110001	57,294	-
2023-2024 Math Academies ESC Implementation Grant	N/A	240281057110001	99,246	-
TSL ESC Feedback Committee Year 1 Pilot	N/A	230291877110001	10,000	-
TRPN Cohort 4 Cont.	N/A	230386067110001	193,887	-
2023-2024 Tri-Agency Grant for Regional Conveners	N/A	230386047110005	339,686	-
ESC IDEA-B SPED Leadership	N/A	230360027110001	1,880,402	-
ESC Special Education Liaison Grant	N/A	230360047110001	289,248	-
Total State Department of Education			4,142,229	-

EXHIBIT K-1
(Concluded)

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

FEDERAL GRANTER/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER Title	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures	(4) Passed through to Subrecipients
<u>Region 5 Education Service Center:</u>				
Texas Lesson Study	N/A	240292107110002	43,257	-
Texas Lesson Study	N/A	240310307110002	260,335	-
Total Region VI Education Service Center			<u>303,592</u>	<u>-</u>
<u>Texas Health and Human Services Commission:</u>				
ECI - Respite	N/A	HHS000640200034	15,240	-
Early Childhood Intervention	N/A	HHS000640200034	2,137,636	-
Total Texas Health and Human Services Commission			<u>2,152,876</u>	<u>-</u>
<u>Texas Workforce Commission:</u>				
Adult Basic Education	N/A	2318ALAF00	344,837	-
Adult Basic Education	N/A	2924ALA028	5,434	-
Total Texas Workforce Commission			<u>350,271</u>	<u>-</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>\$ 6,948,968</u>	<u>\$ -</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 40,551,082</u>	<u>\$ 9,828,974</u>

REGION ONE EDUCATION SERVICE CENTER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2024

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.

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* (TXGMS). 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, 2024.

Total expenditures of federal and state awards, per Exhibit K-1	\$ 40,551,082
Add:	
Other federal and state revenues	<u>7,907,929</u>
Total federal and state revenues, per Exhibit C-3	<u><u>\$ 48,459,011</u></u>



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

Region One Education Service Center

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Corrective Action for Findings Related to the Financial Statements

2024-001 Bank Reconciliations and Related Items

Corrective Action: The Center continues to evaluate its processes related to bank reconciliations and credit cards. We continue to enhance processes in alignment with the Ascender finance software system to facilitate the fiscal year end processes. Processes will be reevaluated to ensure all credit card purchase orders and related supporting documentation are submitted within the credit card billing cycle.

Proposed Completion Date: August 31, 2025

Name of contact person: Rumalda Ruiz, Deputy Director – Business, Operations, & School Finance Support
Contact: (956) 984-6290

Corrective Action for Findings Related to Federal Awards

2024-002 Timely Time and Effort Approvals

The Center continues to evaluate its processes related to time and effort. Our Time and Effort electronic system has been evaluated and enhancements are forthcoming to include robust functionalities to include timely supervisor approval notifications.

Proposed Completion Date: May 31, 2025

Name of contact person: Rumalda Ruiz, Deputy Director – Business, Operations, & School Finance Support
Contact: (956) 984-6290

2024-003 Matching

The GEAR UP program will update its review and approval process for in-kind documentation submitted by partners to ensure correct and accurate data is submitted in the annual grant close out process which includes the Annual Performance Report (APR) due to USDE in April 2025. Hourly values for teachers and other professionals will be updated on an annual basis. The identified rate has been adjusted to ensure the correct rate is used during final submission of in-kind data for teacher hours in the APR.

Proposed Completion Date: April 1, 2025

Name of contact person: Rumalda Ruiz, Deputy Director – Business, Operations, & School Finance Support
Contact: (956) 984-6290

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Corrective Action for Findings Related to Federal Awards (Continued)

2024-004 Subaward Agreements

The Center is the recipient of GEAR UP awards based on prior grant applications submitted with its related program partners which include local educational agencies and other partners. While the audit revealed that no formal agreement was in place during the audit year, the Center did have documentation in place with each partner that included a detailed budget, program operating procedures manual, partner commitment form signed by each partner's superintendent of schools, program monthly meetings, onsite visits, and other activities stipulated in the grant. A new program requirement was published on August 29, 2024, as amended in 34 CFR 75.127 through 75.129 for future Partnership Grants Application and includes language related to a binding agreement. The Center will ensure all future grant applications comply with this new requirement.

Proposed Completion Date: February 1, 2025

Name of contact person: Rumalda Ruiz, Deputy Director - Business, Operations, & School Finance Support
Contact: (956) 984-6290

Corrective Action for Findings Related to State Awards

2024-002 Timely Time and Effort Approvals

Finding 2024-002 as listed in the federal awards section is also applicable to its state award programs. See corrective action plan in the federal awards findings section above (2024-002).

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Region One Education Service Center
Status of Prior Year Audit Findings
For the year ended August 31, 2024

Findings Related to the Financial Statements

2023-001 Fiscal Year-End Closing Process

Status – Completed: March 31, 2024.

The Finance Department improved the accounting processes throughout the year to ensure a smooth end-of-year process to meet audit deadlines. A significant advantage in fiscal 2024 compared to the prior fiscal year was a timeline that was agreed upon by auditors and management with milestones from both parties. Administration reassessed its internal deadlines and were adjusted accordingly. These deadlines were shared with the Executive Director and his leadership. These dates were also shared with all ESC staff.

Additionally, before the end of the fiscal year the Finance Department was restructured to adequately address the various core processes handled by the department.

Attached please find department organizational chart as of September 25, 2024.

2023-002 Bank Reconciliations and Outstanding Checks

Status – In-progress.

The bank reconciliations process was improved as recommended by auditors. The bank reconciliations are the responsibility of the Coordinator for Finance. As of August 31, 2024 all bank accounts were reconciled.

Upon inquiry, we found out that even though our Finance System has a bank reconciliation module, it doesn't reconcile transactions. Rather, the information available in the module contains check register information only.

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Findings Related to the Financial Statements (Continued)

2023-003 Interfund Transactions

Status – Completed August 31, 2024.

The Finance Team worked with the ESC Technology Team to develop an electronic internal billing system to account for all enterprise-type transactions. The system was tested in the summer 2024 and ESC staff were trained in August. This new process became effective September 1, 2024. Effective with the 2024-2025 fiscal year the ESC has been using this internal billing system in lieu of purchase orders and related invoices. The process is initiated with a quote. The internal billing system includes a workflow process, where the transaction is routed to the various end users including the budget manager. Once the good/service is fulfilled, the transaction is processed, and payment is posted.

Attached please find the standard operating procedure related to internal billing process, page 5.

2023-004 Leases and SBITAs

Status – Completed August 31, 2024.

The ESC Administration worked closely with the current auditors to review and ensure that all GASB related entries are accurate and complete.

Additionally, some challenges encountered in the past was the decentralization of copier lease agreements. The ESC bought out the remaining months on its copier lease agreements and since June 2024 the ESC has a centralized copier lease contract for enhanced efficiencies.

With regards to SBITAs the ESC now limits the term to be less than one year.

2023-005 Payroll Register Approvals

Status – Completed February 23, 2024.

The ESC implemented immediately the auditors recommendations regarding approval of payroll register. The payroll team submits the final payroll registers to the Finance Administrator for approval.

Attached please find payroll process.

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Findings Related to the Financial Statements (Continued)

2023-006 Use of Credit Cards and Autopay

Status – Completed June 3, 2024.

The ESC implemented new credit card procedures in fiscal year 2023-2024. The ESC now has a check out credit card process where employees have to check them out/in with the Finance Department. With regards to autopay, administration reviews and approves the credit card statement before autopay is processed.

Attached please find the procedure related to credit cards and the credit card pick up request form.

2023-007 Stale Checks

Status – Completed August 30, 2024.

The ESC reviewed its stale checks and implemented procedures to review on a quarterly basis. Stale checks were voided and reissued.

Findings Related to Federal Awards

Status – See status on 2023-005 above.

Findings Related to State Awards

Status – See status on 2023-005 above.

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