

REGION 19 EDUCATION SERVICE CENTER
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
FOR THE YEAR ENDED AUGUST 31, 2023

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CERTIFICATE OF BOARD

Region 19 Education Service Center
Name of Service Center

El Paso County
County

071-950
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named Education Service Center were reviewed and (check one) approved disapproved for the year ended August 31, 2023, at a meeting of the Board of Directors of such Education Service Center on the 14th day of December 2023.



Signature of Board Secretary



Signature of Board President

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

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Region 19 Education Service Center

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Region 19 Education Service Center as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Region 19 Education Service Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Region 19 Education Service Center, as of August 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Region 19 Education Service Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note I to the financial statements, in 2023, Region 19 Education Service Center adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Region 19 Education Service 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 Region 19 Education Service 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 Region 19 Education Service 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, budgetary comparison, and the TRS pension and other post employment benefit information on pages 7 through 20 and 77 through 90 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 Region 19 Education Service Center's basic financial statements. The accompanying combining and individual nonmajor fund financial statements 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 the Texas Grant Management Standards, 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 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 December 8, 2023, on our consideration of Region 19 Education Service Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Region 19 Education Service Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Region 19 Education Service Center's internal control over financial reporting and compliance.



Gibson Ruddock Patterson, LLC
El Paso, Texas
December 8, 2023

MANAGEMENT'S DISCUSSION & ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, the management of Education Service Center - Region 19 discusses and analyzes the Center's financial performance for the fiscal year ended August 31, 2023. Please read it in conjunction with the independent auditor's report on page 4 and the Center's Basic Financial Statements which begin on page 21.

FINANCIAL HIGHLIGHTS

- ✚ The Education Service Center – Region 19 implemented GASB No. 96 Subscription Based Information Technology Arrangements in fiscal year 2023 and GASB No. 87 Accounting for Leases in fiscal year 2022 and GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions in fiscal year 2018. Accordingly, the required supplementary subscription, lease information and schedules are presented in accordance with these statements.
- ✚ There were significant changes in the Government-Wide Statement of Net Position due to the implementation of GASB Statement No. 75, GASB Statement No. 87 and GASB Statement No. 96, the Education Service Center - Region 19 total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources on August 31, 2023, the close of its most recent fiscal year, by \$9,682,777 (net position).
- ✚ Education Service Center - Region 19's total net position increased by \$6,992,860. This amount is comprised of \$1,711,574 decrease in the Education Service Center's investment in capital assets net of related debt, and an increase in unrestricted net position of \$8,704,434.
- ✚ As of August 31, 2023, the close of the most current fiscal year Education Service Center - Region 19's governmental funds reported an ending fund balance of \$9,131,927, a decrease of \$419,246 over the prior year. About \$2 million of this amount (unassigned fund balance) is available for spending at the discretion of Education Service Center - Region 19 and \$6.4 million is committed for building improvements and system upgrades.
- ✚ At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$2 million, or about 15% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Education Service Center - Region 19's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 23 and 24). These provide information about the activities of the Center as a whole and present a longer-term view of the Center's property and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise. The Statement of Net Position presents information on all of ESC – Region 19's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them reported as "net position." Over time, increases or decreases in net position can serve as a useful indicator of whether the financial position of ESC - Region 19 is improving or deteriorating. The Statement of Activities presents information showing how Region 19 ESC's net position changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements (starting on page 27) report the Center's operations in more detail than the government-wide statements by providing information about the Center's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for the appropriations budget. Fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of Region 19's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Education Service Center - Region 19 maintains 36 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Head Start, which are considered being major funds. The remaining 34 funds are combined into a single aggregated presentation.

For proprietary activities, fund financial statements tell how goods or services of the Center were sold to departments within the Center or to external customers and how the sales revenues covered the expenses of the goods or services. ESC - Region 19 maintains two different types of proprietary funds. The Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. Region 19 ESC uses the Enterprise Fund to account for the School Zone/Print Shop and for the Allied States Cooperative. Internal service funds are an accounting device used to accumulate and allocate costs internally among Region 19's various functions. The ESC uses internal service funds to account for such activities as Technology Services, Common Area Services, Facilities, Workers Compensation, Unemployment Compensation, Internal Leases, and Subscription-based IT Arrangements (SBITAs). Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The notes to the financial statements (starting on page 37) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements. The Federal Awards Section contains data used by monitoring or regulatory agencies for assurance that the Center is using funds supplied in compliance with the terms of grants.

REPORTING THE CENTER AS A WHOLE

Government-Wide Financial Statements

In the Statement of Net Position and the Statement of Activities, we divide the Center into two kinds of activities:

- Governmental activities—The Center's basic services are reported here, including professional development activities, instructional technology and media services, field services, school district support, instruction, and other services to Head Start children, maintenance, community services, general administration, and capital projects.
- Business-type activities—The Center operates the School Zone which provides a variety of goods and services to area school districts, charter and private schools, non-profit agencies, and the general public as well as internal customers. The store's inventory includes school supplies, office supplies, lamination, dye cutting, poster printing, volume copying, booklet making, business cards, and other services associated with a copy and supply store. The ESC employs a full-time employee to cover printing and copying services and rents high speed equipment in order to provide quality services and quick turn-around time. Additionally, ESC Region 19 administers a national purchasing cooperative, the Allied States Cooperative that provides a full spectrum of goods and services for school districts, city governments, other state governments, county governments, universities, community colleges, non-profits, and special governments.

The analysis of the Center's overall financial condition and operations begins on page 21. Its primary purpose is to show whether the Center is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the Center's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the Center's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The Center's revenues are divided into those provided by outside parties who share the costs of some programs, such as registration fees received from workshop participants from outside the Center (charges for services), grants provided by the U.S. Department of Education to assist regional school districts in the instruction of children with disabilities from disadvantaged backgrounds (program revenues), and revenues provided by TEA to provide the core services required by law or for payment of necessary administrative and operational expenses of the Center related to the provision of those services (general revenues). All the Center's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

The Center's net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) provide one measure of the Center's financial health, or financial position. Over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the Center, however, you should consider non-financial factors as well, such as the condition of the facilities and the likelihood of regional school districts to use the services offered by the Center.

Fund Financial Statements

The fund financial statements begin on page 27 and provide detailed information about the most significant funds—not the Center as a whole. Laws and contracts require the Center to establish some funds, such as grants received under the Head Start programs from the U.S. Department of Health and Human Services. The Center's administration establishes other funds to help it control and manage money for its general operations. The Center's two kinds of funds—governmental and proprietary—require different accounting approaches.

- Governmental funds—Most of the Center's services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the Center's general operations and the services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds—The Center reports the activities for which it charges users (whether outside customers or other units of the Center) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the Center's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the Center's other programs and activities—such as the Center's technology services, workers compensation, and unemployment compensation programs, facilities management, and common area services, and internal leases.

GOVERNMENT WIDE FINANCIAL ANALYSIS

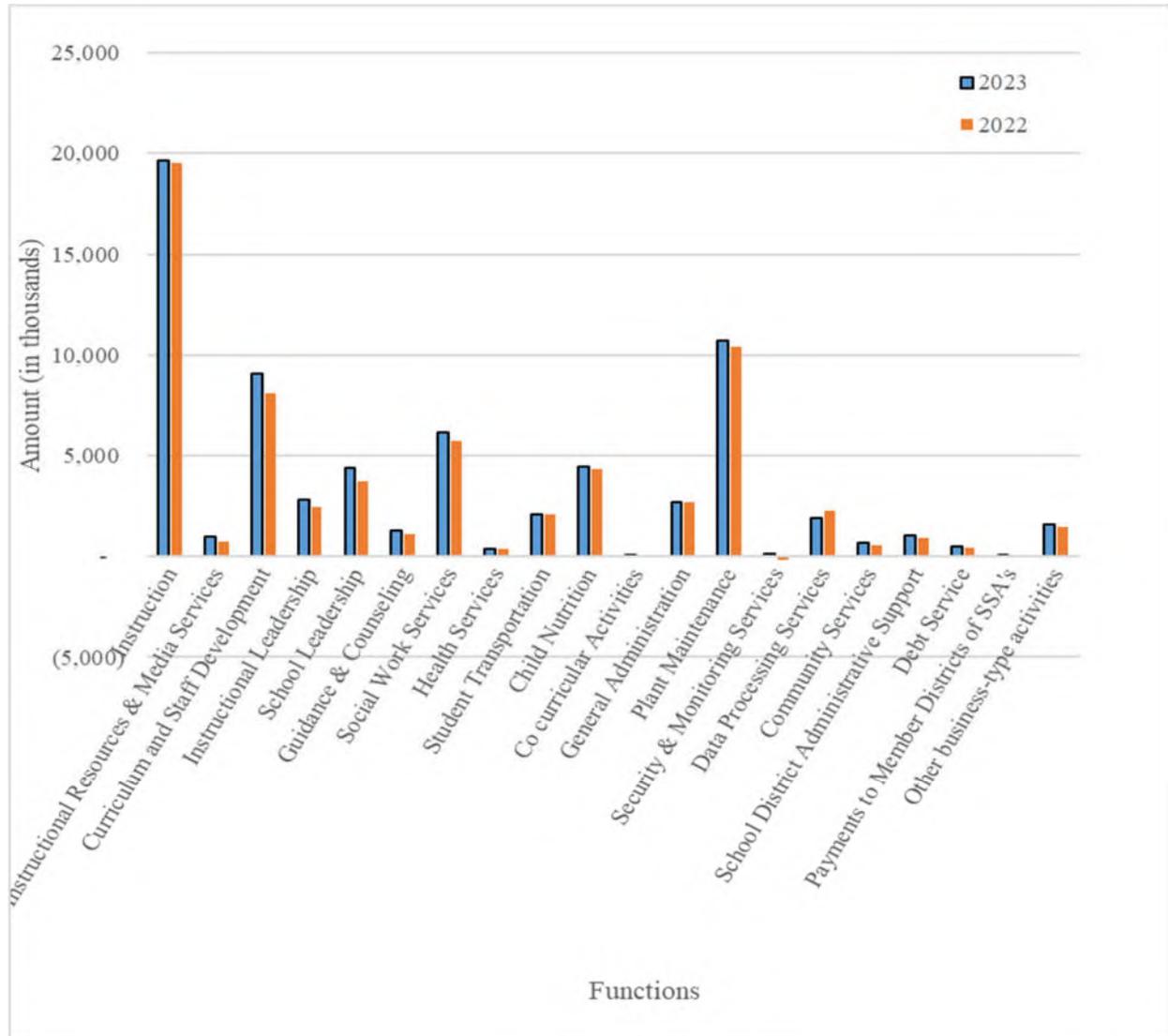
The Center implemented GASB Statement No. 34 beginning in 2002, GASB Statement No. 87 in 2022, and GASB No. 96 in 2023. As in the past, we will present and analyze net position measurements for both this year and last year as required by generally accepted accounting principles and discuss significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the Center's governmental and business-type activities.

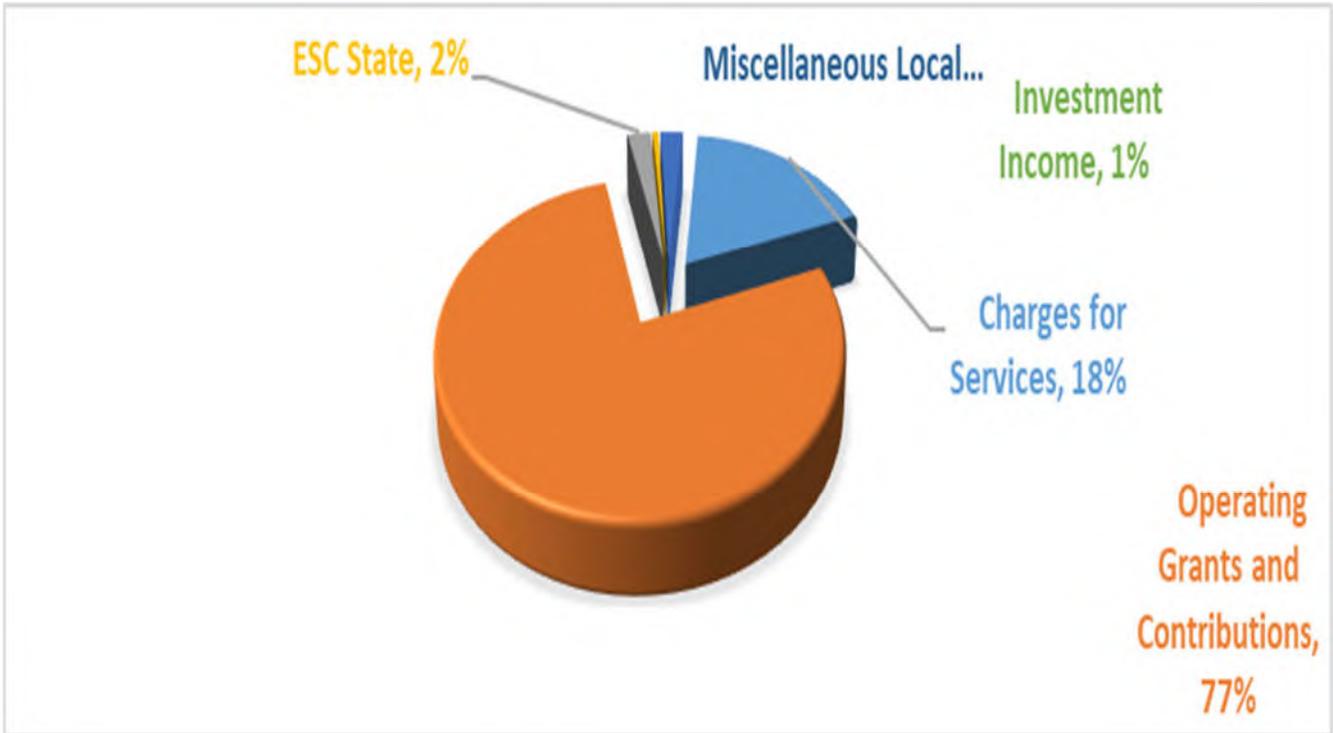
The net position of the Center's governmental activities totaled \$974,208 and unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements - was (\$69,687,673) at August 31, 2023. This compares to net position of (\$2,575,866) and unrestricted net position of (\$74,930,325) as of August 31, 2022. Region 19 ESC’s net position is comprised of \$70.6 million in investment in capital assets. Since these assets are used to provide services to Region 19’s clients, these assets are not available for future spending. The remaining balance of unrestricted net position of (\$70 million) reflects the adjustment related to the TRS OPEB and Pension postemployment benefits, leases, and subscriptions reported.

The net position of our business-type activities totaled \$8,708,569 of which all is unrestricted as to its use. This compares to net position of \$5,265,783 of which all is unrestricted as of August 31, 2022. The Education Service Center - Region 19’s net position increased by approximately \$6,992,860. This amount is comprised of a decrease of (\$1,711,574) in capital assets, net of accumulated depreciation, primarily attributed to a combination of net acquisitions (\$1.4 million), less current year depreciation (\$3.3 million), and an increase of \$8,704,434 in unrestricted net position. There was an increase in the net position of the ESC’s Business-type Activities in the amount of approximately \$3,442,786, due to an increase in collections of our Allied States Purchasing Cooperative.

Table I							
Education Service Center – Region 19							
NET POSITION							
(in thousands)							
	Governmental		Business-type		Total		
	Activities		Activities				
	2023	2022	2023	2022	2023	2022	
Current and Other Assets	\$ 16,459	\$ 16,024	\$ 8,685	\$ 5,219	\$ 25,144	\$ 21,243	
Capital Assets	73,900	75,805	28	47	73,928	75,856	
Total Assets	90,359	91,829	8,713	5,266	99,072	97,099	
Deferred Outflows Related to TRS	20,967	16,716	-	-	20,967	16,716	
Long-term Liabilities	71,846	65,880	-	-	71,846	65,880	
Other Liabilities	3,014	2,737	4	-	3,018	2,737	
Total Liabilities	74,860	68,617	4	-	74,864	68,617	
Deferred Inflows Related to TRS	35,492	42,503	-	-	35,492	42,503	
Net Position:							
Investment in Capital Assets	70,595	72,288	29	47	70,624	72,339	
Restricted for:			-				
Restricted for Federal and State Programs	66	66	-	-	66	66	
Unrestricted	(69,687)	(74,930)	8,680	5,219	(61,007)	(69,711)	
Total Net Position	\$ 974	\$ (2,575)	\$ 8,709	\$ 5,266	\$ 9,683	\$ 2,694	

Table II						
Education Service Center – Region 19						
Changes in Net Position						
(in thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues						
Charges for Services	\$ 8,620	\$ 9,449	\$ 5,296	\$ 4,285	13,916	\$ 13,734
Operating Grants and Contributions	59,737	58,467	-	-	59,737	58,467
General Revenues	-	-	-	-	-	-
ESC State	1,713	1,696	-	-	1,713	1,696
Investment Income	430	20	-	-	430	20
Miscellaneous Local Revenue	1,657	14	-	-	1,657	14
Total Revenue	72,157	69,646	5,296	4,285	77,453	73,931
Expenses:						
Instruction	19,627	19,523	-	-	19,627	19,523
Instructional Resources & Media Services	943	723	-	-	943	723
Curriculum and Staff Development	9,090	8,110	-	-	9,090	8,110
Instructional Leadership	2,813	2,474	-	-	2,813	2,474
School Leadership	4,383	3,758	-	-	4,383	3,758
Guidance & Counseling	1,233	1,055	-	-	1,233	1,055
Social Work Services	6,169	5,754	-	-	6,169	5,754
Health Services	375	368	-	-	375	368
Student Transportation	2,105	2,104	-	-	2,105	2,104
Child Nutrition	4,483	4,329	-	-	4,483	4,329
Co curricular Activities	68	73	-	-	68	73
General Administration	2,689	2,730	-	-	2,689	2,730
Plant Maintenance	10,672	10,414	-	-	10,672	10,414
Security & Monitoring Services	138	(170)	-	-	138	(170)
Data Processing Services	1,903	2,306	-	-	1,903	2,306
Community Services	672	545	-	-	672	545
School District Administrative Support	1,022	915	-	-	1,022	915
Debt Service	480	432	-	-	480	432
Payments to Member Districts of SSA's	49	39	-	-	49	39
Other business-type activities	-	-	1,542	1,417	1,542	1,417
Total Expenses	68,914	65,482	1,542	1,417	70,456	66,895
Increase in net position before trfs & spec items	3,243	4,164	3,754	2,868	6,997	7,032
Transfer In/(Out)	311	640	(311)	(640)	-	-
Loss on Disposal	(5)	(5)	-	-	(5)	(5)
Change in Net Position	3,549	4,799	3,443	2,228	6,992	7,027
Beginning Net Position	(2,575)	(7,374)	5,265	3,037	2,690	(4,335)
Prior Period Adjustment	-	-	-	-	-	-
Ending Net Position	\$ 974	\$ (2,575)	\$ 8,708	\$ 5,265	\$ 9,682	\$ 2,690





FUND FINANCIAL STATEMENT ANALYSIS

At the end of 2023, the Center’s governmental funds as presented on the balance sheet shown on page 28 reported a total fund balance of \$9,131,927 a decrease of (\$419,246) from last year's total of \$9,551,173 primarily due to principal payments towards debt service related to conference center.

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

	2023	2022	Difference
Current Assets	\$ 27,850	\$ 26,030	\$ 1,820
Total Assets	<u>27,850</u>	<u>26,030</u>	<u>1,820</u>
			-
Current Liabilities	<u>18,718</u>	<u>16,478</u>	<u>2,240</u>
Total Liabilities	<u>18,718</u>	<u>16,478</u>	<u>2,240</u>
			-
Fund Balances:			-
Prepaid Items	23	88	(65)
Restricted	66	66	-
Committed	6,405	7,309	(904)
Assigned	621	569	52
Unassigned	2,017	1,519	498
Total Fund Balance	<u>9,132</u>	<u>9,551</u>	<u>(419)</u>
Total Liabilities and Fund Balance	\$ 27,850	\$ 26,029	\$ 1,821

The Center’s total revenues in the Statement of Revenues, Expenditures, and Changes in Fund Balance increased from \$71.7 million in FY 2022 to \$75.6 million in FY 2023. Total local revenue increased by \$1.3 million due primarily to an increase in in person professional development, leadership training, teacher externships, migrant services, membership incentive in the Food Cooperative and investment income. State revenues increased about \$2 million due to increased funding for the Foundation School Program, TRS On-Behalf of and state indirect cost revenues. Federal revenues increased by \$528 thousand in federal revenues was largely due to the COVID-19 ESSER grant funding received in grant year 2023. Local revenue in the General Fund increased \$1.2 million. The following table illustrates the changes in funding allocations to be used for planning purposes flowing through the Texas Education Agency for 2023 and 2022:

Table IV			
Education Service Center - Region 19			
SAS 701A Allocations Flowing thru TEA			
	2023	2022	Difference
State ESC	\$ 243,294	\$ 243,294	\$ -
State Gifted and Talented	11,000	11,000	-
Visually Impaired	181,512	184,071	(2,559)
Non-Educational Community Based Service	31,350	31,350	-
Total State Allocations	467,156	469,715	(2,559)
			-
IDEA-B Discretionary	1,219,603	1,842,266	(622,663)
IDEA-B , Preschool	215,913	229,955	(14,042)
Title I, Part A	1,735,372	70,542	1,664,830
Title I, Part C, Migrant	497,608	199,465	298,143
Title III ELA	331,742	31,906	299,836
ESSA	131,166	32,046	99,120
CTE	110,000	68,165	41,835
Total Federal Allocations	4,241,404	2,474,345	1,767,059
			-
Total Allocations	\$ 4,708,560	\$ 2,944,060	\$ 1,764,500

The Center's total expenditures decreased from \$79.5 million in 2022 to \$76 million in 2023, total expenditures decreased by (\$3.5) million primarily attributable to decreased expenditures in construction. Total expenditures in the General Fund increased by \$2.3 million primarily due to debt service payments made.

Table V			
Education Service Center – Region 19			
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN			
FUND BALANCE			
(in thousands)			
	2023	2022	Difference
Revenues:			
Local and Intermediate	\$ 11,217	\$ 9,943	\$ 1,274
State Program Revenues	5,535	3,446	2,089
Federal Program Revenues	58,814	58,286	528
Total Revenue	75,566	71,675	3,891
Expenses:			
Instruction	19,899	20,137	(238)
Instructional Resources & Media Svc	1,057	818	239
Curriculum and Staff Development	10,434	9,022	1,412
Instructional Leadership	3,003	2,629	374
School Leadership	4,534	3,979	555
Guidance & Counseling	1,302	1,110	192
Social Work Services	6,351	6,042	309
Health Services	394	387	7
Student Transportation	1,751	3,745	(1,994)
Child Nutrition	4,675	4,650	25
Co curricular Activities	68	73	(5)
General Administration	3,673	3,369	304
Plant Maintenance	11,782	11,581	201
Security & Monitoring	138	-	138
Data Processing Services	2,017	2,386	(369)
Community Services	685	562	123
School District Adm Support	1,229	1,071	158
Debt Service	2,945	702	2,243
Facilities Acquisition and Construction	-	7,189	(7,189)
Pmts to Member Distr of SSA's	49	39	10
Total Expenses	75,986	79,491	(3,505)
Increase in net position before trfs & spec items	(420)	(7,816)	7,396
Other Financing Sources:			
Non-Current Loans	-	4,209	(4,209)
Transfers In	-	224	(224)
Transfers Out	-	-	-
Total Other Financing Sources	-	4,433	(4,433)
Net Change in Fund Balances	(420)	(3,383)	2,963
Fund Balance-Beginning	9,551	12,934	(3,383)
Fund Balance-Ending	\$ 9,131	\$ 9,551	\$ (420)

THE CENTER'S BUDGET

On August 17, 2023, the Board of Directors adopted the 2023-2024 budget, which included the ESC State Support and the General Fund (the Center's operating funds). These are the budgets the governing board of the Service Center is required by TEA mandate to adopt no later than August 31 each year. The Board approves these budgets at the fund and function level in order to comply with the state's legal level mandate. The Special Revenue Funds are not required to be legally adopted by the board but are presented as additional information and in order to provide the Board with an overall picture of the Center's activities. Amendments must be presented to the board for approval whenever any function within the operating budget increases or decreases. Requests for changes to the budget which do not affect the functions within the approved budget as well as special revenue budget changes are considered transfers and require only managerial approval.

Over the course of the year, the Board of Directors revised the Center's legally adopted budget several times. The Budgetary Comparison Schedule found on page 78 shows the Center's original legally adopted budget as well as its final operating budget. There is a \$4.2 million difference between the original budget and the final one. This is due in part to the addition of budgets to cover the expenses related debt service, TRS on Behalf Of, and exterior painting appropriation of funds to cover the approved expenditure from fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the Center had about \$104.5 million (excluding accumulated depreciation) invested in a broad range of capital assets with unit values over \$5,000, including land, facilities and equipment for instruction, professional development, transportation, administration, and maintenance. The total amount of purchases and deletions represent a net increase of about \$1.2 million over last year's total capital assets.

This year's additions included:

Appliances	105,047
Computer Learning Equipment	9,236
Playground Equip Shade Improvements	1,151,775
Vehicles	119,562
Maintenence Equipment	19,210
Vision Screener Equipment	8,149
Total	\$1,412,979

Debt

As of August 31, 2023, the Center's outstanding debt included accrued vacation pay, TRS defined Pension Plan liability and Construction Loan. More detailed information about the Center's long-term liabilities is presented in Note F to the financial statements and Note I.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Center does not rely on tax revenues to meet its budget and receives state funding to provide those services required by law (to improve student and school district performance and to enable school districts to operate more efficiently and economically). For fiscal year 2023, this funding totaled \$243,288 of which all was expended. Federal funding remains virtually unchanged. Indirect cost revenue, which funds the business and support activities of the Center for 2023 was 6.277%. This is the rate the Center may charge state and federal programs for indirect costs. For fiscal year 2024, the rate will be 6.246%. These factors were taken into account when adopting the Center's 2023 budget and affect the Center's hiring practices as well as all other programs and activities that the Center engages in. The ESC continues to implement the goals of objectives of our comprehensive Strategic Plan. The practice of calling the entire main building staff together one Friday each quarter for the purpose of disseminating Center-wide information, discussing issues important to the Center as a whole, introducing new staff, participating in team-building exercises, and hearing presentations from various departments or school districts in the Region 19 area will continue in the new fiscal year.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our clients, grantors, and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Associate Executive Director for Support Services at Education Service Center - Region 19, 6611 Boeing Drive, El Paso, Texas 79925.

BASIC FINANCIAL STATEMENTS

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REGION 19 EDUCATION SERVICE CENTER
STATEMENT OF NET POSITION
AUGUST 31, 2023

EXHIBIT A-1

Data Control Codes	1	2 Primary Government	3
	Governmental Activities	Business Type Activities	Total
ASSETS			
1110 Cash and Cash Equivalents	\$ 15,002,694	\$ -	\$ 15,002,694
1120 Current Investments	1,506,283	-	1,506,283
1240 Due from Other Governments	6,755,860	-	6,755,860
1260 Internal Balances	(7,861,031)	7,861,031	-
1290 Other Receivables, Net	845,502	788,339	1,633,841
1300 Inventories	-	31,591	31,591
1490 Other Current Assets	208,772	3,096	211,868
Capital Assets:			
1510 Land	1,660,864	-	1,660,864
1520 Buildings and improvements, Net	59,763,138	-	59,763,138
1530 Furniture and Equipment, Net	6,485,859	28,496	6,514,355
1540 Other Capital Assets, Net	2,721,202	-	2,721,202
1550 Right-to-Use Lease Assets, Net	2,674,969	-	2,674,969
1553 SBITA Assets, Net	345,739	-	345,739
1990 Other Assets	249,275	-	249,275
1000 Total Assets	<u>90,359,126</u>	<u>8,712,553</u>	<u>99,071,679</u>
DEFERRED OUTFLOWS OF RESOURCES			
1705 Deferred Outflow Related to TRS Pension	15,227,994	-	15,227,994
1706 Deferred Outflow Related to TRS OPEB	5,739,215	-	5,739,215
1700 Total Deferred Outflows of Resources	<u>20,967,209</u>	<u>-</u>	<u>20,967,209</u>
LIABILITIES			
2110 Accounts Payable	1,036,459	3,984	1,040,443
2150 Payroll Deductions and Withholdings	615,783	-	615,783
2160 Accrued Wages Payable	697,380	-	697,380
2180 Due to Other Governments	106,734	-	106,734
2190 Due to Student Groups	3,271	-	3,271
2300 Unearned Revenue	554,057	-	554,057
Noncurrent Liabilities:			
2501 Due Within One Year: Loans, Leases, SBITAs, etc.	1,388,316	-	1,388,316
Due in More than One Year:			
2502 Loans, Leases, SBITAs, etc.	14,354,529	-	14,354,529
2540 Net Pension Liability (Center's Share)	37,371,461	-	37,371,461
2545 Net OPEB Liability (Center's Share)	18,732,126	-	18,732,126
2000 Total Liabilities	<u>74,860,116</u>	<u>3,984</u>	<u>74,864,100</u>
DEFERRED INFLOWS OF RESOURCES			
2602 Deferred Inflow Related to Leases	338,880	-	338,880
2605 Deferred Inflow Related to TRS Pension	3,973,910	-	3,973,910
2606 Deferred Inflow Related to TRS OPEB	31,179,221	-	31,179,221
2600 Total Deferred Inflows of Resources	<u>35,492,011</u>	<u>-</u>	<u>35,492,011</u>
NET POSITION			
3200 Net Investment in Capital Assets	70,595,442	28,496	70,623,938
3820 Restricted for Federal and State Programs	66,439	-	66,439
3900 Unrestricted	(69,687,673)	8,680,073	(61,007,600)
3000 Total Net Position	<u>\$ 974,208</u>	<u>\$ 8,708,569</u>	<u>\$ 9,682,777</u>

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

REGION 19 EDUCATION SERVICE CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 19,626,768	\$ 1,773,918	\$ 17,885,198
12 Instructional Resources and Media Services	943,058	101,287	868,145
13 Curriculum and Instructional Staff Development	9,089,948	2,708,800	6,021,993
21 Instructional Leadership	2,813,130	866,827	2,036,177
23 School Leadership	4,382,524	-	4,470,651
31 Guidance, Counseling, and Evaluation Services	1,232,877	114,402	1,109,712
32 Social Work Services	6,169,122	1,781,300	4,491,647
33 Health Services	375,017	-	389,985
34 Student (Pupil) Transportation	2,105,005	-	1,695,894
35 Food Services	4,482,771	-	4,506,319
36 Extracurricular Activities	67,764	74,351	27,903
41 General Administration	2,688,784	535,367	3,760,586
51 Facilities Maintenance and Operations	10,672,352	395,317	10,924,614
52 Security and Monitoring Services	137,869	47,542	89,439
53 Data Processing Services	1,903,095	766,875	761,031
61 Community Services	671,691	166,385	506,767
62 School District Administrative Support (ESC)	1,022,429	928,109	142,250
72 Debt Service - Interest on Long-Term Debt	480,638	-	-
93 Payments Related to Shared Services Arrangements	48,803	-	48,803
[TG] Total Governmental Activities:	68,913,645	10,260,480	59,737,114
BUSINESS-TYPE ACTIVITIES:			
01 Allied States Cooperative	689,615	4,348,686	-
02 School Zone / Print Shop	852,302	947,087	-
[TB] Total Business-Type Activities:	1,541,917	5,295,773	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 70,455,562	\$ 15,556,253	\$ 59,737,114

Data	
Control	General Revenues:
Codes	Taxes:
SF	State Aid - Formula Grants
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
S2	Special Item - Loss on Disposal of Assets
FR	Transfers In (Out)
TR	Total General Revenues, Special Items, & Transfers
CN	Change in Net Position
NB	Net Position - Beginning
NE	Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ 32,348	\$ -	\$ 32,348
26,374	-	26,374
(359,155)	-	(359,155)
89,874	-	89,874
88,127	-	88,127
(8,763)	-	(8,763)
103,825	-	103,825
14,968	-	14,968
(409,111)	-	(409,111)
23,548	-	23,548
34,490	-	34,490
1,607,169	-	1,607,169
647,579	-	647,579
(888)	-	(888)
(375,189)	-	(375,189)
1,461	-	1,461
47,930	-	47,930
(480,638)	-	(480,638)
-	-	-
<u>1,083,949</u>	<u>-</u>	<u>1,083,949</u>
-	3,659,071	3,659,071
-	94,785	94,785
<u>-</u>	<u>3,753,856</u>	<u>3,753,856</u>
<u>1,083,949</u>	<u>3,753,856</u>	<u>4,837,805</u>
1,712,942	-	1,712,942
430,290	-	430,290
16,702	-	16,702
(4,879)	-	(4,879)
311,070	(311,070)	-
<u>2,466,125</u>	<u>(311,070)</u>	<u>2,155,055</u>
3,550,074	3,442,786	6,992,860
(2,575,866)	5,265,783	2,689,917
<u>\$ 974,208</u>	<u>\$ 8,708,569</u>	<u>\$ 9,682,777</u>

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

REGION 19 EDUCATION SERVICE CENTER
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes	General Fund	Head Start	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 13,308,739	\$ 150	\$ 34,195	\$ 13,343,084
1120 Investments - Current	1,506,283	-	-	1,506,283
1240 Due from Other Governments	89,315	2,612,564	4,053,981	6,755,860
1260 Due from Other Funds	5,360,332	-	142,249	5,502,581
1290 Other Receivables	711,623	-	-	711,623
1490 Prepayments	23,136	98	7,728	30,962
1000 Total Assets	<u>\$ 20,999,428</u>	<u>\$ 2,612,812</u>	<u>\$ 4,238,153</u>	<u>\$ 27,850,393</u>
LIABILITIES				
2110 Accounts Payable	\$ 208,521	\$ 368,598	\$ 347,237	\$ 924,356
2150 Payroll Deductions and Withholdings Payable	615,783	-	-	615,783
2160 Accrued Wages Payable	17,365	613,313	55,886	686,564
2170 Due to Other Funds	10,722,927	1,630,901	3,658,586	16,012,414
2180 Due to Other Governments	-	-	106,734	106,734
2190 Due to Student Groups	-	-	3,271	3,271
2300 Unearned Revenue	369,344	-	-	369,344
2000 Total Liabilities	<u>11,933,940</u>	<u>2,612,812</u>	<u>4,171,714</u>	<u>18,718,466</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3430 Prepaid Items	23,136	-	-	23,136
Restricted Fund Balance:				
3490 Other Restricted Fund Balance	-	-	66,439	66,439
Committed Fund Balance:				
3510 Construction	3,958,522	-	-	3,958,522
3530 Capital Expenditures for Equipment	2,446,000	-	-	2,446,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	620,951	-	-	620,951
3600 Unassigned Fund Balance	2,016,879	-	-	2,016,879
3000 Total Fund Balances	<u>9,065,488</u>	<u>-</u>	<u>66,439</u>	<u>9,131,927</u>
4000 Total Liabilities and Fund Balances	<u>\$ 20,999,428</u>	<u>\$ 2,612,812</u>	<u>\$ 4,238,153</u>	<u>\$ 27,850,393</u>

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

REGION 19 EDUCATION SERVICE CENTER
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2023

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	9,131,927
<p>The Center uses internal service funds to charge the costs of certain activities, such as self-insurance, printing, Right-to-Use leases, and Subscription-based IT Arrangements to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.</p>		
		4,243,673
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$107,063,957 and the accumulated depreciation was (\$31,259,023). In addition, long-term liabilities, including loans payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.</p>		
		57,363,773
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2023 capital outlays and debt principal payments is to increase net position.</p>		
		3,848,944
<p>Included in the items related to debt is the recognition of the Center's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$15,227,994, a deferred resource inflow in the amount of \$3,973,910 and a net pension liability in the amount of \$37,371,461. This resulted in a decrease in net position.</p>		
		(26,117,377)
<p>Included in the items related to debt is the recognition of the Center's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$5,739,215, a deferred resource inflow in the amount of \$31,179,221, and a net OPEB liability in the amount of \$18,732,126. This resulted in a decrease in net position.</p>		
		(44,172,132)
<p>The 2023 depreciation and amortization expense increases accumulated depreciation. The net effect of the current year's depreciation and amortization is to decrease net position.</p>		
		(3,324,600)
Net Position of Governmental Activities	\$	974,208

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

REGION 19 EDUCATION SERVICE CENTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	General Fund	Head Start	Other Funds	Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 6,545,774	\$ -	\$ 4,671,619	\$ 11,217,393
5800 State Program Revenues	2,760,784	-	2,774,614	5,535,398
5900 Federal Program Revenues	3,359,136	44,687,151	10,767,259	58,813,546
5020 Total Revenues	<u>12,665,694</u>	<u>44,687,151</u>	<u>18,213,492</u>	<u>75,566,337</u>
EXPENDITURES:				
Current:				
0011 Instruction	330,993	16,268,543	3,299,515	19,899,051
0012 Instructional Resources and Media Services	114,206	937,105	5,415	1,056,726
0013 Curriculum and Instructional Staff Development	3,504,087	1,294,749	5,634,719	10,433,555
0021 Instructional Leadership	194,920	1,223,074	1,585,031	3,003,025
0023 School Leadership	50,247	4,484,262	-	4,534,509
0031 Guidance, Counseling, and Evaluation Services	148,378	858,949	294,950	1,302,277
0032 Social Work Services	81,184	3,258,680	3,011,566	6,351,430
0033 Health Services	3,244	386,668	4,220	394,132
0034 Student (Pupil) Transportation	44,252	1,707,143	-	1,751,395
0035 Food Services	82,060	1,197,584	3,395,611	4,675,255
0036 Extracurricular Activities	38,861	-	28,903	67,764
0041 General Administration	2,702,053	946,849	24,252	3,673,154
0051 Facilities Maintenance and Operations	617,998	10,848,121	315,687	11,781,806
0052 Security and Monitoring Services	48,430	89,439	-	137,869
0053 Data Processing Services	1,096,959	731,416	188,277	2,016,652
0061 Community Services	140,377	454,569	90,181	685,127
0062 School District Administrative Support (ESC Only)	942,375	-	286,362	1,228,737
Debt Service:				
0071 Principal on Long-Term Liabilities	2,463,678	-	-	2,463,678
0072 Interest on Long-Term Liabilities	480,638	-	-	480,638
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	48,803	48,803
6030 Total Expenditures	<u>13,084,940</u>	<u>44,687,151</u>	<u>18,213,492</u>	<u>75,985,583</u>
1200 Net Change in Fund Balances	(419,246)	-	-	(419,246)
0100 Fund Balance - September 1 (Beginning)	<u>9,484,734</u>	<u>-</u>	<u>66,439</u>	<u>9,551,173</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 9,065,488</u>	<u>\$ -</u>	<u>\$ 66,439</u>	<u>\$ 9,131,927</u>

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

REGION 19 EDUCATION SERVICE CENTER
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2023

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	(419,246)
<p>The Center uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.</p>		
		974,586
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2023 capital outlays and debt principal payments is to increase net position.</p>		
		3,848,944
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.</p>		
		(3,324,600)
<p>GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$3,145,286. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$2,936,168. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased the change in net position by \$1,133,248. The net result was a decrease in the change in net position.</p>		
		(924,130)
<p>GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$668,144. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$642,303. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$3,368,679. The net result was an increase in the change in net position.</p>		
		3,394,520
Change in Net Position of Governmental Activities	\$	3,550,074

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

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PROPRIETARY FUND FINANCIAL STATEMENTS

REGION 19 EDUCATION SERVICE CENTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2023

	Business-Type Activities - Enterprise Funds			Governmental Activities -
	Allied States Cooperative	Nonmajor Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 1,659,610
Due from Other Funds	6,828,794	1,032,237	7,861,031	2,948,824
Other Receivables, net	788,339	-	788,339	133,879
Inventories	-	31,591	31,591	-
Prepayments	3,096	-	3,096	177,810
Total Current Assets	<u>7,620,229</u>	<u>1,063,828</u>	<u>8,684,057</u>	<u>4,920,123</u>
Noncurrent Assets:				
Capital Assets:				
Buildings and Improvements, Net	-	-	-	382
Furniture and Equipment, Net	28,496	-	28,496	56,048
Right-to-Use Lease Asset, Net	-	-	-	2,674,969
SBITA Asset, Net	-	-	-	345,739
Receivable, noncurrent	-	-	-	249,275
Total Noncurrent Assets	<u>28,496</u>	<u>-</u>	<u>28,496</u>	<u>3,326,413</u>
Total Assets	<u>7,648,725</u>	<u>1,063,828</u>	<u>8,712,553</u>	<u>8,246,536</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	589	3,395	3,984	112,103
Accrued Wages Payable	-	-	-	10,816
Due to Other Funds	-	-	-	300,022
Unearned Revenues	-	-	-	184,713
Total Current Liabilities	<u>589</u>	<u>3,395</u>	<u>3,984</u>	<u>607,654</u>
NonCurrent Liabilities:				
Leases Payable - Due Within One Year	-	-	-	583,236
SBITA Payable - Due Within One Year	-	-	-	225,080
Right-to-Use Lease Liability - Long Term	-	-	-	2,200,874
SBITA Liability - Long Term	-	-	-	47,139
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,056,329</u>
Total Liabilities	<u>589</u>	<u>3,395</u>	<u>3,984</u>	<u>3,663,983</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow Related to Leases	-	-	-	338,880
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>338,880</u>
NET POSITION				
Net Investment in Capital Assets	28,496	-	28,496	20,809
Unrestricted Net Position	7,619,640	1,060,433	8,680,073	4,222,864
Total Net Position	<u>\$ 7,648,136</u>	<u>\$ 1,060,433</u>	<u>\$ 8,708,569</u>	<u>\$ 4,243,673</u>

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

REGION 19 EDUCATION SERVICE CENTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

	Business-Type Activities - Enterprise Funds			Governmental Activities -
	Allied States Cooperative	Nonmajor Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:				
Local and Intermediate Sources	\$ 4,348,686	\$ 947,087	\$ 5,295,773	\$ 5,811,692
Total Operating Revenues	4,348,686	947,087	5,295,773	5,811,692
OPERATING EXPENSES:				
Payroll Costs	447,084	160,890	607,974	1,375,877
Professional and Contracted Services	130,759	132,574	263,333	1,800,786
Supplies and Materials	57,494	543,064	600,558	245,963
Other Operating Costs	35,282	15,774	51,056	944,663
Depreciation/Amortization Expense	18,996	-	18,996	761,899
Total Operating Expenses	689,615	852,302	1,541,917	5,129,188
Operating Income	3,659,071	94,785	3,753,856	682,504
NONOPERATING REVENUES (EXPENSES):				
Earnings from Temporary Deposits & Investments	-	-	-	71,543
Lease Interest Revenue	-	-	-	13,215
Non-operating Interest Expense	-	-	-	(103,746)
Total Nonoperating Revenues (Expenses)	-	-	-	(18,988)
Income Before Transfers	3,659,071	94,785	3,753,856	663,516
Transfers In	-	-	-	311,070
Transfers Out	(311,070)	-	(311,070)	-
Change in Net Position	3,348,001	94,785	3,442,786	974,586
Total Net Position - September 1 (Beginning)	4,300,135	965,648	5,265,783	3,269,087
Total Net Position - August 31 (Ending)	\$ 7,648,136	\$ 1,060,433	\$ 8,708,569	\$ 4,243,673

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

REGION 19 EDUCATION SERVICE CENTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

EXHIBIT D-3

	Business-Type Activities			Governmental Activities -
	Allied States Cooperative	Nonmajor Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 982,154	\$ 855,611	\$ 1,837,765	\$ -
Cash Received from Assessments - Other Funds	-	-	-	5,030,447
Cash Payments to Employees for Services	(447,084)	(160,890)	(607,974)	(1,370,927)
Cash Payments for Suppliers	(188,718)	(678,947)	(867,665)	(1,943,693)
Cash Payments for Other Operating Expenses	(35,282)	(15,774)	(51,056)	(1,024,597)
Net Cash Provided by Operating Activities	<u>311,070</u>	<u>-</u>	<u>311,070</u>	<u>691,230</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Transfers Out	(311,070)	-	(311,070)	-
Transfers In	-	-	-	311,070
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(311,070)</u>	<u>-</u>	<u>(311,070)</u>	<u>311,070</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>				
Acquisition of Capital Assets	-	-	-	(19,210)
Lease Revenue	-	-	-	(99,185)
Interest on Right-to-Use Assets	-	-	-	(103,746)
Principal on Right-to-Use Assets	-	-	-	(792,874)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,015,015)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest Income - Leases Receivable	-	-	-	13,215
Interest and Dividends on Investments	-	-	-	71,543
Net Cash Provided by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,758</u>
Net Increase in Cash and Cash Equivalents	-	-	-	72,043
Cash and Cash Equivalents at Beginning of Year	-	-	-	1,587,567
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,659,610</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>				
Operating Income:	\$ 3,659,071	\$ 94,785	\$ 3,753,856	\$ 682,504
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation/Amortization	18,996	-	18,996	761,899
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Due from Other Funds	(3,105,641)	(91,606)	(3,197,247)	(1,012,022)
Decrease (increase) in Receivables	(260,891)	130	(260,761)	111,194
Decrease (increase) in Inventories	-	(6,455)	(6,455)	-
Decrease (increase) in Prepaid Expenses	(1,054)	-	(1,054)	106,579
Increase (decrease) in Accounts Payable	589	3,146	3,735	59,892
Increase (decrease) in Accrued Wages Payable	-	-	-	4,950
Increase (decrease) in Due to Other Funds	-	-	-	(143,349)
Increase (decrease) in Unearned Revenue	-	-	-	119,583
Net Cash Provided by Operating Activities	<u>\$ 311,070</u>	<u>\$ -</u>	<u>\$ 311,070</u>	<u>\$ 691,230</u>
<u>Noncash Investing, Capital and Financing Activities:</u>				
Borrowing Under Right-to- Use Assets	\$ -	\$ -	\$ -	\$ 365,698

The accompanying notes are an integral part of this statement.

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Region 19 Education Service Center (the “Center”) is a service center which provides educational services for Texas schools within the jurisdiction of the Center. The Center operates under the applicable laws and regulations of the State of Texas. It is governed by an eight member Board of Directors (the “Board”) elected by the Board of Trustees of the school districts within the Center’s region. The Center prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources, and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board is elected by the Board of Trustees of the schools within the Center’s region and it has the authority to make decisions, employ the Executive Director, and significantly influence operations. It also has the primary accountability for fiscal matters. The Center is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”).

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Center’s nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by charges to school districts for services, state funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement category represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. For pensions and OPEB, these outflows result from pension plan and OPEB contributions made after the measurement date of the net pension and OPEB liabilities and the net differences between projected and actual earnings on pension and OPEB plan investments; results of changes in actuarial assumptions; differences between expected and actual economic experiences; and changes in the Center’s proportional share of net pension and OPEB liabilities. The deferred outflows of resources related to pensions and OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liabilities in the next fiscal year. The other pension and OPEB related deferred outflows will be amortized over a systematic and rational method over a closed period.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement category represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For pensions and OPEB, these inflows result from pension plan and OPEB changes in actuarial assumptions; differences between expected and actual economic experiences; and changes in the Center's proportional share of net pension and OPEB liabilities. These inflows will be amortized over a systematic and rational method over a closed period. For leases with the Center as lessor, the deferred inflow of resources occurs at the time the value of the leases receivable is measured plus any payment received at or before the commencement of the lease term that relates to future periods. This deferred inflow will be amortized in a systematic and rational manner over the term of the lease.

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

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

The Statement of Activities demonstrates how other people or entities that participate in programs the Center operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function of the Center. Examples include teacher certification, staff development, media production, etc. The "grants and contributions" column includes amounts paid by organizations outside the Center to help meet the operational or capital requirements of a given function. Examples include grants under the Head Start Act. If a revenue is not a program revenue, it is a general revenue used to support all of the Center's functions.

Interfund activities between governmental funds and between governmental and proprietary funds appear as due to or due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other financing sources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental and internal service funds are eliminated on the government-wide statements.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fund financial statements report on the financial condition and results of operations for two fund categories - governmental and proprietary. The Center considers some governmental funds as major and reports their financial condition and results of operations in a separate column.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, right-to-use lease, and SBITA liabilities, and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net Position. 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. Right-to-use lease liabilities and Subscription-based Information Technology Arrangements (SBITAs) are calculated at the present value of the reasonably certain expected payments to be made over the term of the leases and the interest included in the lease payments are recorded as an expense.

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

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

Revenues from local sources consist primarily of services provided to districts and teachers, lease revenue, and interest income from leases. Revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings and interest from leases are recorded as earned, since they are both measurable and available.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the Center to refund all or part of the unused amount.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and deferred outflows of resources, and all liabilities and deferred inflows of resources, associated with the operation of these funds are included on the fund Statement of Net Position. For deferred inflow of resources from leases, the revenue is recognized over the term of the underlying lease. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

D. Fund Accounting

The Center reports the following major governmental funds:

- The **General Fund** - The general fund is the Center's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- **Head Start Special Revenue** - This fund is used to account for the services provided to economically disadvantaged pre-school children so that they can be prepared for school.

The Center reports the following major proprietary fund:

- **Allied States Cooperative** - This fund is used to account for the Center's activities of its national governmental purchasing cooperative which competitively bids and awards contracts to local, regional, and national vendors in compliance with local, state, and federal procurement laws and regulations. In return the Center receives a percentage of the activity between vendors and members.

Additionally, the Center reports the following fund types:

GOVERNMENTAL FUNDS:

1. **Special Revenue Funds** - These funds account for resources restricted to specific purposes by a grantor or contributor. Most federal and some state financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Permanent Funds** - The Center has no Permanent Funds.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPRIETARY FUNDS:

3. **Internal Service Funds** - These funds are used to account for goods or services provided by one department to other departments of the Center on a cost-reimbursement basis. The Center operates seven Internal Service Funds. They are Computer Operations and Technology Support, Facilities, Common Area Service, Starlight Event Center, Internal Leases, Subscription-based IT Arrangements, and two insurance funds that cover Workers' Compensation and Unemployment claims. The charges for space rental to various programs are determined by a building use fee and a space rental costs form filed with TEA.

ENTERPRISE FUNDS:

4. **School Zone / Print Shop** - This fund is used to account for transactions related to sales of classroom supplies and printing and related services to educators, schools, and the general public.

E. Other Accounting Policies

1. For purposes of the statement of cash flows for proprietary funds, the Center considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Temporary investments are recorded at fair value and consist of investments in registered investment pools, including investments in the Texas Local Government Investment Pool (TexPool), Texas CLASS Investment Pool, and Lone Star Investment Pool. The Center accrues interest on temporary investments based on terms and effective interest rates of the specific investments.
3. All investments are stated at fair value based on quoted market prices as of year end. If applicable, premiums and discounts on investments are amortized or accreted using the straight-line method, which approximates the interest method, over the terms of the related securities.
4. The funds of the Center must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the Center's agent bank in an amount sufficient to protect Center funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.
5. The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Center to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statutes authorize the Center to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the Center to have independent auditors perform test procedures related to investment practices as provided by the Act. Management asserts that the Center is in substantial compliance with the requirements of the Act and with local policies.

6. Additional policies and contractual provisions governing deposits and investments for the Center are specified below:

Credit Risk:

Deposits - Credit risk is not applicable to deposits.

Temporary Investments (Cash Equivalents) - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the Center limits investments in commercial paper, corporate bonds, mutual bond funds, and public funds investment pools to those that have received top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2023, the Center's investments in TexPool, Texas CLASS, and LoneStar - Corporate Overnight Fund and Government Overnight Fund investment pools were rated AAAM by Standard & Poor's. The LoneStar - Corporate Overnight Plus Fund investment pool was rated AA Af by Standard & Poor's.

Investments - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the Center limits investments in Certificates of Deposit in one or more federally insured depository institutions to amounts, principal and accrued interest, fully covered by federal insurance. As of August 31, 2023, the Center's negotiable Certificates of Deposit were fully covered by federal insurance and therefore credit risk is not applicable. The Center's money market fund was rated AAAM by Standard & Poor's.

Custodial Credit Risk:

Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. Since the Center complies with this law, it has minimal custodial credit risk for deposits.

Temporary Investments (Cash Equivalents) - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the Center requires counterparties to register the securities in the name of the Center and hand them over to the Center or its designated agent. This includes securities in securities lending transactions. Investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - To limit the risk that in the event of the failure of the counterparty to a transaction, the Center will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the Center's policy provides that the custodian of the Center's Certificates of Deposit and money market fund is an entity described by Government code 2257.041, or registered with the Securities and Exchange Commission (SEC) and operates pursuant to SEC Rule 15c3-3.

Concentration of Credit Risk:

Deposits - Concentration of credit risk is not applicable to deposits.

Temporary Investments (Cash Equivalents) - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the Center's policy states that the portfolio must be diversified. Concentration of Credit Risk is not applicable to investment pools since the purpose of these pools is to diversify the Center's investment portfolio.

Investments - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the Center's policy states that the portfolio must be diversified. The money market funds represent less than 2% of the Center's total cash and investment balances. Because the Center's Certificates of Deposit are fully covered by federal insurance and money market funds are exempt, concentration of credit risk is not applicable.

Interest Rate Risk:

Deposits - Interest rate risk is not applicable to deposits.

Temporary Investments (Cash Equivalents) and Investments - To limit the risk that changes in interest rates will adversely affect the fair value of the investments, the Center requires its investment portfolio to have stated maturities of less than two years from the time of purchase.

Foreign Currency Risk:

Deposits - The Center limits the risk that changes in exchange rates will adversely affect a deposit by avoiding deposits denominated in a foreign currency.

Temporary Investments (Cash Equivalents) and Investments - The Center limits the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding investment pools or securities which are denominated in a foreign currency.

7. The Center reports inventories of supplies for School Zone at cost. Supplies are recorded as expenses when they are consumed.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. The Center's receivable from leases as lessor are measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreements, the Center may receive variable lease payments, which will be recorded as an inflow of resources in the period the payment is received.
9. It is the Center's policy to permit some employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.
10. Prepaid items on the balance sheet are accounted for using the consumption method and are recognized as expenditures over the periods in which the service is provided.
11. Capital assets, which include land, buildings, furniture and equipment, right-to-use assets, and vehicles are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Center as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

All individual federally funded assets with a cost of \$5,000 or more shall be capitalized in accordance with the aforementioned policies.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment, and vehicles of the Center are depreciated using the straight line method over the following estimated useful lives which were recommended by the Association of School Board Officials (ASBO). Right-to-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. When a lease contains a purchase option the Center chooses to exercise, the lease asset is amortized over the useful life of the underlying asset. The amortization expense is combined with depreciation expense for financial reporting purposes.

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	25
Heavy and Other Equipment	10-20
Vehicles	8
Office Equipment	5
Computer Equipment	5

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Net Position on the Statement of Net Position includes the following:

Net investment in capital assets - this component of net position consists of capital assets, net of accumulated depreciation and amortization, reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, leasing, or improvement of those assets or related debt will be included in this component of net position.

Restricted for federal and state programs - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agencies.

Unrestricted net position - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

13. The Center reports the following fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** - Represents amounts that are not in spendable form or are legally or contractually required to be maintained intact, such as inventories.
- **Restricted Fund Balance** - Represents amounts that are restricted to specific purposes, with constraints placed on the use of resources by (a) external creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed Fund Balance** - Represents amounts that are restricted for purposes which the Board of Directors, the Center's highest level of decision-making authority, has designated their use. These amounts are committed through a formal resolution, requiring funds to be used only for specific purposes. These amounts can only be re-allocated by the same formal action that was taken to originally commit those amounts. The Board of Directors shall take action to commit funds for a specific purpose prior to the end of the fiscal year.
- **Assigned Fund Balance** - Represents amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The governing body has delegated authority to the Executive Director and Associate Executive Director of Support Services. Should the Board opt not to commit any balances, it will implicitly defer to the designee to make appropriate assignments.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Unassigned Fund Balance** - Represents amounts that are available for any purpose and have not been restricted, committed, or assigned for specific purposes. Positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a formal resolution. Assigned fund balance is established by the Executive Director or Associate Executive Director of Support Services through adoption or amendment of the budget as intended for specific purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balance is available, the Center considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Center considers amounts to have been spent first out of committed amounts, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes of which amounts in any of those unrestricted fund balance classifications could be used, unless the Board of Directors or designee have provided otherwise in their commitment or assignment actions.

14. In the fund financial statements, certain governmental funds report restrictions of the entire fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Since the entire fund balance is restricted for these funds, all assets are in essence restricted for their specified purpose.
15. Since Internal Service Funds support the operations of the governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid “grossing up” the revenues and expenses of the Center as a whole.
16. When the Center incurs an expense for which it may use either restricted or unrestricted resources, it uses the restricted resources first unless unrestricted resources will have to be returned because they were not used.
17. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires Education Service Centers to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.
18. In accordance with the Resource Guide, the Center has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the Texas State Board of Education and approved by the State Auditor. Specifically, the Center’s accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

19. The Center receives substantial amounts of funding from special revenue sources. The majority of this money is cost reimbursement to the Center by the federal government or the Texas Education Agency. The portion of revenue allowable for indirect cost is credited as revenue to the General Fund and as a reduction to revenue in the Special Revenue Fund, as appropriate.

The Center does not allocate indirect costs to other functions in the Statement of Activities. These costs are reported in Function 41, General Administration.

20. Preparation of these financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

21. The Center implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement (1) defines a subscription-based information technology (SBITA) (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payment, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

The Center implemented GASB Statement No. 99, *Omnibus 2022*. The standard enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified in previous GASB statements, and (2) adding guidance on accounting and financial reporting for financial guarantees.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including the Center's proportionate share of the net pension and OPEB liabilities, are not due and payable in the current period and are not reported as liabilities in the funds.

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays are expenditures in the fund financial statements, but should be shown as increases in capital assets in the government-wide statements. This adjustment affects both the net position balance and the change in net position. In addition, certain pension expenditures were de-expended and the Center recorded its proportionate share of the pension and OPEB expense.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The Board adopts an "appropriated budget" for the General Fund. The Center is required to present the adopted and final amended budgeted revenues and expenditures for this fund. The Center compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1. The Board does not legally adopt a budget for special revenue funds since the budgets are designated by the grantor. As such, a budget to actual comparison is not presented in required supplementary information for the major special revenue funds.

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

1. Prior to the regularly scheduled Board meeting in August, the Center prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. On August 18, 2022, the budget was legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the Center has a policy of careful budgetary control, several amendments were necessary during the year. No expenditures were made prior to approval of the budget.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Temporary Investments

At August 31, 2023, the carrying amount of the Center’s general fund and special revenue fund deposits, (cash and interest-bearing savings accounts) were \$1,783,090 and \$34,195, and the total bank balance was \$3,134,861. In addition, petty cash of \$1,073, \$150, and \$1,101 was recorded in the general fund, Head Start, and internal service funds, respectively. The Center’s cash deposits at August 31, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the Center’s agent bank in the Center’s name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Wells Fargo - El Paso, Texas.
- b. The highest combined balances of cash and savings accounts amounted to \$6,024,211 and occurred during the month of November 2022.
- c. The total amount of FDIC coverage at the time of the largest combined balance was \$283,937.
- d. The estimated market value of securities pledged as of the date of the highest combined balance on deposit was \$6,728,325.

The Center also held cash at Texas Bank, an institution other than the depository bank. The carrying amount of this deposit was \$101,000 at August 31, 2023, and was fully FDIC insured.

The Center’s temporary investments included in cash and cash equivalents at August 31, 2023, are shown below at fair value, which approximates the value of the pool shares:

Temporary Investments	Fair Value	WAM (in days)	Rating (S&P)
TexPool*	\$ 10,334,115	86	AAAm
Texas CLASS**	2,509,716	68	AAAm
Lone Star Corporate Overnight Fund*	65,075	67	AAAm
Lone Star Corporate Overnight Plus Fund**	99,863	84	AAAf
Lone Star Government Overnight Fund*	73,316	89	AAAm
Total	\$ 13,082,085		
Allocated To:			
General Fund	\$ 11,423,576		
Internal Service Funds	1,658,509		
Total	\$ 13,082,085		

* - measured at amortized cost

** - measured at fair value

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

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

TexPool is a local government investment pool in the State of Texas. The State Comptroller of Public Accounts oversees TexPool. There is also a TexPool Advisory Board, composed of participants, which advises on TexPool’s investment policy and approves fee increases. Texas Class (Texas Cooperative Liquid Assets Securities System Trust) is a pooled investment program administered by Public Trust Advisors, LLC. Texas Class is governed by the Board of Trustees comprised of active members and elected by the participants and is guided by the Advisory Board. The Lone Star Investment Pool is administered by First Public, LLC. The investment managers for the pool are American Beacon Advisors and Standish Investments Corporation. The custodian bank is State Street Bank.

For those pools measured at amortized cost, management is not aware of the presence of any limitations or restrictions on withdrawals such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates.

B. Investments

The Center maintains a fixed income portfolio with Wells Fargo Bank. At August 31, 2023, the portfolio consisted of negotiable Certificates of Deposit at various different financial institutions. The fair value of each individual Certificate of Deposit is less than \$250,000 and approximates the par value and accrued interest, which are fully covered by federal insurance. The portfolio also includes a money market fund as listed below:

<u>Investment</u>	<u>Fair Value</u>	<u>General Fund</u>	<u>WAM (in days)</u>	<u>Rating (S&P)</u>
Certificates of Deposit	\$ 1,224,142	\$ 1,224,142	154	Not Rated
BlackRock Federal Fund / Institutional	282,141	282,141	30	AAAm
	<u>\$ 1,506,283</u>	<u>\$ 1,506,283</u>		

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Center had the following recurring fair value measurements as of August 31, 2023:

- Negotiable Certificates of Deposit of \$1,224,142 are valued using market closing prices under the market approach (Level 2 inputs).
- BlackRock Federal Fund / Institutional shares are reported at fair value which approximates \$1.00 per share (Level 1 inputs).

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

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

C. Interfund Balances and Transfers

Interfund balances are a result of normal operations and are cleared out periodically. Management intends to pay out these balances within one year.

Interfund balances at August 31, 2023, consisted of the following amounts:

	Due from Other Funds	Due to Other Funds
General Fund:		
General Fund	\$ (229,177)	\$ (229,177)
Head Start Fund	1,630,901	-
Nonmajor Governmental Funds	3,658,586	142,249
Internal Service Funds	300,022	2,948,824
Allied States Cooperative	-	6,828,794
Nonmajor Enterprise Funds	-	1,032,237
Total General Fund	5,360,332	10,722,927
Head Start Fund:		
General Fund	-	1,630,901
Nonmajor Governmental Funds:		
General Fund	142,249	3,658,586
Internal Service Funds:		
General Fund	2,948,824	300,022
Allied States Cooperative:		
General Fund	6,828,794	-
Nonmajor Enterprise Funds:		
General Fund	1,032,237	-
Total	\$ 16,312,436	\$ 16,312,436

Interfund transfers generally fall within two categories: (1) transfers to cover future obligations, and (2) transfers to cover operating expenditures/deficits in accordance with Center's policy or legal requirements. Interfund transfers do not require repayment.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

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

Interfund transfers for the year ended August 31, 2023, consisted of the following amounts:

	<u>Transfer In</u>	<u>Transfer Out</u>
Allied States Cooperative:		
Internal Service Funds	<u>\$ -</u>	<u>\$ 311,070</u>
Internal Service Funds:		
Allied States Cooperative	<u>311,070</u>	<u>-</u>
Total	<u><u>\$ 311,070</u></u>	<u><u>\$ 311,070</u></u>

D. Other Receivables

Other Receivables as of August 31, 2023, consisted of the following:

<u>Due From</u>	<u>General Fund</u>	<u>Internal Service Funds</u>	<u>Allied States Cooperative</u>	<u>Total</u>
School Districts and Other Local Governments	\$ 339,028	\$ -	\$ -	\$ 339,028
Region 17 Education Service Center	307,821	-	-	307,821
Participants of Certification Programs	64,774	-	-	64,774
Event Center Rentals	-	36,432	-	36,432
Leases Receivable	-	97,447	-	97,447
Various Vendors through Coop	-	-	1,184,147	1,184,147
Total	711,623	133,879	1,184,147	2,029,649
Less: Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>	<u>(395,808)</u>	<u>(395,808)</u>
Total, net	<u><u>\$ 711,623</u></u>	<u><u>\$ 133,879</u></u>	<u><u>\$ 788,339</u></u>	<u><u>\$ 1,633,841</u></u>

The Other Receivables balance in the Allied States Cooperative Enterprise Fund is reported net of the allowance for doubtful accounts. All other receivable balances are reported at gross value. Management has determined that an allowance for doubtful accounts is not necessary for fair presentation.

As listed in the table above, the Center reports leases receivable as part of other receivables. In February of 2022, the Center as lessor entered into one lease agreement for certain portions of the Center's administrative building. The lease term is for 5 years and monthly payments are \$8,957. The lease receivable is measured at the present value of the future minimum rent payments expected to be received during the lease term using a discount rate of 3.32%. During fiscal year 2023, the Center recognized \$94,269 in lease revenue and \$13,215 in interest revenue related to the lease. At August 31, 2023, the Center reports a total receivable of \$346,722, with a current portion of \$97,447 and a noncurrent portion of \$249,275. A related deferred inflow of resources of \$338,880 will be recognized as revenue over the lease term.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

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

E. Capital Asset Activity

Capital asset activity for the Center for the year ended August 31, 2023, including internal service funds, was as follows:

	Primary Government				
	Restated Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
<u>Governmental activities:</u>					
Land	\$ 1,660,864	\$ -	\$ -	\$ -	\$ 1,660,864
Buildings and improvements	78,515,471	-	-	-	78,515,471
Furniture and equipment	14,704,228	1,293,417	190,217	593,130	16,400,558
Vehicles	7,831,841	119,563	-	-	7,951,404
Construction in Progress	593,130	-	-	(593,130)	-
Total at historic cost	103,305,534	1,412,980	190,217	-	104,528,297
Right-to-Use Lease assets:					
Buildings and improvements	1,964,406	-	-	-	1,964,406
Furniture and equipment	1,794,017	19,822	-	-	1,813,839
Total Right-to-Use Lease assets	3,758,423	19,822	-	-	3,778,245
Subscription-based IT arrangements	159,567	345,876	-	-	505,443
Less accumulated depreciation for:					
Buildings and improvements	17,029,967	1,722,366	-	-	18,752,333
Furniture and equipment	9,054,702	1,045,335	185,338	-	9,914,699
Vehicles	4,663,041	567,161	-	-	5,230,202
Total accumulated depreciation	30,907,277	3,334,862	185,338	-	34,402,677
Less accumulated amortization for					
Right-to-Use Lease assets:					
Buildings and improvements	94,775	94,775	-	-	189,550
Furniture and equipment	416,568	497,158	-	-	913,726
Total accumulated amortization	511,343	591,933	-	-	1,103,276
Subscription-based IT arrangements	-	159,704	-	-	159,704
Total governmental activities capital assets, net	75,804,904	(2,307,821)	4,879	-	73,146,328

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

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

<u>Business-type activities:</u>					
Furniture and equipment	107,085	-	-	-	107,085
Total at historic cost	107,085	-	-	-	107,085
Less accumulated depreciation	-	-	-	-	-
Furniture and equipment	59,593	18,996	-	-	78,589
Total accumulated depreciation	59,593	18,996	-	-	78,589
Business-type activities capital					
Assets, net	\$ 47,492	\$ (18,996)	\$ -	\$ -	\$ 28,496

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 938,062
Instructional resources and media services	24,881
Curriculum and staff development	244,020
Instructional leadership	73,186
School leadership	124,853
Guidance, counseling and evaluation services	30,986
Social work services	181,888
Health services	10,789
Student (pupil) transportation	458,447
Food services	194,084
General administration	139,175
Facilities maintenance and operations	673,993
Data processing services	193,656
Community services	10,934
School District Admin. Support Services	25,646
	3,324,600
In addition, depreciation and amortization on capital assets held by the Center's internal service funds are charged to the various functions based on the usage of the assets.	761,899
Total depreciation and amortization expense	\$ 4,086,499

Depreciation on capital assets held by the Center's enterprise funds is charged entirely to Business-Type Activity 01 - Allied States Cooperative, in Function 41 - General Administration.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

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

F. Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2023, was as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Other liabilities					
Compensated absences	\$ 116,569	\$ 11,632	\$ (8,007)	\$ 120,194	\$ -
Leases payable	3,323,938	19,822	(559,650)	2,784,110	583,236
SBITAs payable	159,567	345,876	(233,224)	272,219	225,080
Loans payable	15,030,000	-	(2,463,678)	12,566,322	580,000
Total other liabilities	<u>\$ 18,630,074</u>	<u>\$ 377,330</u>	<u>\$ (3,264,559)</u>	<u>\$ 15,742,845</u>	<u>\$ 1,388,316</u>

G. Compensated Absences

Upon retirement or death of certain employees, the Center pays any accrued vacation leave in a lump sum cash payment to such employee or his/her estate.

H. Loans from Direct Borrowing

On July 20, 2020, the Center entered into a construction loan agreement with NBH Bank (the “Lender”) for \$15,300,000. The Center agreed to construct, furnish, and equip a conference center facility and parking garage with the loan and with other available funds which they deposited with the Lender. The loan is secured by a lien on the facility and pledge of the construction fund assets and unencumbered revenues.

The loan payments will consist of principal (ranging from \$255,000 to \$325,000), plus interest and will be due semiannually beginning June 1, 2022. The loan will mature on June 1, 2030, with a balloon payment of \$8,446,322. Interest is calculated based on the balance of the loan at a fixed rate of 3.32%. The current requirements for loan principal and interest expenditures are accounted for in the general fund. Total interest paid during the fiscal year ending August 31, 2023, related to this loan was \$480,638.

Year Ending August 31,	Bonds Payable		Total
	Principal	Interest	
2024	\$ 580,000	\$ 413,190	\$ 993,190
2025	595,000	394,667	989,667
2026	615,000	374,803	989,803
2027	635,000	354,274	989,274
2028	660,000	333,012	993,012
2029 - 2030	9,481,322	622,592	10,103,914
Total	<u>\$ 12,566,322</u>	<u>\$ 2,492,538</u>	<u>\$ 15,058,860</u>

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

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

I. Right-to-Use Lease Liabilities

The Center has entered into multiple lease agreements as lessee for facilities, equipment, and copiers with lease terms from three to thirty six years. Management utilized interest rates ranging from 1.103% to 5.361% to calculate the net present value of the leases. The Center is required to make monthly payments during the lease terms. During the fiscal year ending August 31, 2023, total principal paid by the Center was \$559,650 and total interest paid by the Center was \$103,722. Future payments are as follows:

Year Ending August 31,	Principal Payments	Interest Payments	Total Requirements
2024	\$ 583,236	\$ 83,604	\$ 666,840
2025	412,963	66,042	479,005
2026	127,124	56,269	183,393
2027	32,241	54,650	86,891
2028	33,328	53,563	86,891
2029 - 2033	171,456	251,003	422,459
2034 - 2038	198,892	220,567	419,459
2039 - 2043	234,752	184,707	419,459
2044 - 2048	277,079	142,380	419,459
2049 - 2053	327,037	92,422	419,459
2054 - 2058	386,002	33,457	419,459
Total	<u>\$ 2,784,110</u>	<u>\$ 1,238,664</u>	<u>\$ 4,022,774</u>

J. Subscription Based Information Technology Arrangements (SBITA)

The Center has executed various agreements for software, licenses, educational instruction, and data management to be used throughout the Center for terms of two to five years. A liability of \$159,567 for existing arrangements at September 1, 2022 has been established and an initial liability of \$345,876 for new arrangements entered into during fiscal year 2023 has been recorded based on present value calculations of future minimum SBITA payments and interest rates of 3.32%. The Center is required to make annual payments during the subscription term. During fiscal year ending August 31, 2023, the Center made principal payments of \$233,224 and interest payment of \$24.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

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

Debt service requirements for SBITAs are as follows:

Year Ending August 31,	Principal Payments	Interest Payments	Total Requirements
2024	\$ 225,080	\$ 9,168	\$ 234,248
2025	37,753	1,578	39,331
2026	9,386	314	9,700
Total	\$ 272,219	\$ 11,060	\$ 283,279

K. Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position: Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately-issued 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/TRS%20Documents/acfr-2022.pdf> by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided: TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

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

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment to the retirees. The pension became actuarially sound in May 2019 when the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provided gradual contribution increases from the state, participating employers and active employees for the fiscal years 2019 through 2024.

Contributions: Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System’s actuary.

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

	<u>Contribution Rates</u>	
	<u>Plan Fiscal Year</u>	
	<u>2022</u>	<u>2023</u>
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	7.75%	8.00%
Employers	7.75%	8.00%

<u>Contributions Required and Made</u>	
2023 Employer Contributions	\$ 3,145,286
2023 Member Contributions	3,047,551
2022 Plan Year NECE On-Behalf Contributions (State)	426,678

Contributors to the plan include active 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:

(Continued)

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NOTES TO THE FINANCIAL STATEMENTS

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

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

Included in the employer contributions amount listed above for fiscal year 2023, the Center paid \$3,590 in retiree surcharges and \$677,029 for the Public Education Employer Contribution. These two additional surcharges an employer is subject to are summarized as follows:

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- All public schools, charter schools and regional education service centers must contribute 1.7 percent of the member's salary beginning in fiscal year 2022, gradually increasing to 2 percent in fiscal year 2025.

Actuarial Assumptions: The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the total pension liability to August 31, 2022. The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three year period ending August 31, 2021 and were adopted in July 2022. The following table discloses the assumptions that were applied to this measurement period:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%

(Continued)

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NOTES TO THE FINANCIAL STATEMENTS

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

Mortality Assumption	The active mortality rates were based on the PUB (2010), Amount-Weighted, Below-Median Income, Teacher, Male and Female tables, with a 2-year set forward for male. The rates are projected on a fully generational basis by the long-term rates of scale UMP 2021 to account for future mortality improvements. The post-retirement mortality rates were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates are projected on a fully generational basis by Scale UMP 2021, but with immediate convergence, to account for future mortality improvements.
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2022	3.91%. - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

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

Discount Rate: A single discount rate used to measure the total pension liability was 7.00 percent. There was a decrease of 0.25 percent in the discount rate since the previous year. The single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

(Continued)

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

The long-term expected rate of return on pension plan investments is 7.00 percent and was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the System’s target asset allocation as of August 31, 2022 are summarized below:

Asset Class*	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity*	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return*	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources and Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
Risk Parity	8.00%	4.60%	0.43%
Asset Allocation Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation			2.70%
Volatility Drag****			-0.91%
Total	100.00%		8.19%

*Absolute Return includes Credit Sensitive Investments

**Target allocations are based on the FY2022 policy model

***Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022)

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

(Continued)

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

Discount Rate Sensitivity Analysis: The following table presents the Net Pension Liability of the plan using the discount rate of 7.00 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease 6.00%	Current Single Discount Rate 7.00%	1% Increase 8.00%
Center's proportionate share of the net pension liability	\$ 58,135,823	\$ 37,371,461	\$ 20,540,970

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 \$37,371,461 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the Center. The amount recognized by the Center as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Center were as follows:

The Center's proportionate share of the collective net pension liability	\$ 37,371,461
State's proportionate share that is associated with the Center	<u>5,428,458</u>
Total	<u><u>\$ 42,799,919</u></u>

The net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2021 through August 31, 2022.

At August 31, 2022 the employer's proportion of the collective net pension liability was 0.0629494349% which was a decrease of 0.0017177476% from its proportion measured as of August 31, 2021.

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

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

For the year ended August 31, 2023, the Center recognized pension expense of \$518,899 and revenue of \$518,899 for support provided by the State.

The amount of pension expense recognized by the Center in the reporting period was \$4,588,315.

(Continued)

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

At August 31, 2023, 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 experience	\$ 541,883	\$ 814,769
Changes in actuarial assumptions	6,963,519	1,735,504
Net difference between projected and actual investment earnings	3,692,181	-
Changes in proportion and difference between Center's contributions and proportionate share of contributions	885,125	1,423,637
Center contributions to TRS subsequent to the measurement date	3,145,286	-
Total	\$ 15,227,994	\$ 3,973,910

The \$3,145,286 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending August 31, 2024.

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

Year Ended August 31	Pension Expense
2024	\$ 2,178,386
2025	967,501
2026	184,730
2027	4,246,997
2028	531,186
Thereafter	(2)
	\$ 8,108,798

Changes in Net Pension Liability:

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Liability	\$ 16,468,443	\$ 23,840,425	\$ 2,937,407	\$ 37,371,461

Payable to the Pension Plan: At August 31, 2023, the Center reported a payable of \$522,892 to the pension plan for the outstanding amount of contractually required contributions related to past service costs. Member contributions included in this payable were \$258,474.

(Continued)

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

L. Defined Other Post-Employment Benefit Plan

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

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 (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/TRS_Documents/acfr-2022.pdf ; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. 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 Plan Premium Rates				
	Medicare		Non-Medicare	
Retiree or Surviving Spouse	\$	135	\$	200
Retiree and Spouse		529		689
Retiree or Surviving Spouse and Children		468		408
Retiree and Family		1,020		999

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

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

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

	<u>Contributions Rates</u>	
	2022	2023
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
2023 Employer Contributions	\$ 668,144	
2023 Member Contributions	247,617	
2022 Plan Year NECE On-behalf Contributions (State)	783,822	

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether or not they participate in the TRS-Care OPEB program. When employers hire a TRS retiree, employers are required to pay to TRS Care a monthly surcharge of \$535 per retiree. During the year ended June 30, 2023, the Center did not employ TRS retirees and therefore did not pay any surcharge amounts to TRS-Care.

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

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

(Continued)

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

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Salary Increases
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2022
Salary Increases	3.05% to 9.05%, including inflation
Demographic Assumptions	The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of TRS. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.
Mortality Assumption	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.
Health Care Trend Rates	Initial medical trend rates of 8.25% for Medicare retirees and 7.25% for non-Medicare retirees. Initial prescription drug trend rate of 8.25% for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.25 over a period of 13 years.
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% participation after age 65; 30% of pre-65 retirees are assumed to discontinue coverage at age 65
Aging Factors	Based on plan specific experience.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Ad hoc post-employment benefit changes	None
Other Information:	

(Continued)

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

Notes	Assumption changes include a discount rate change from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022, lower participation rates, and updates to the health care trend assumptions.
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Discount Rate: A single discount rate of 3.91 percent was used to measure the Total OPEB Liability. There was an increase of 1.96 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2022 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 discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate 2.91%	Current Single Discount Rate 3.91%	1% Increase in Discount Rate 4.91%
Center’s proportionate share of the Net OPEB Liability:	\$ 22,086,662	\$ 18,732,126	\$ 16,014,521

Healthcare Cost Trend Rates Sensitivity Analysis: 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 in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Center’s proportionate share of the Net OPEB Liability:	\$ 15,435,356	\$ 18,732,126	\$ 23,005,964

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs: At August 31, 2023, the Center reported a liability of \$18,732,126 for its proportionate share of the TRS-Care’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the Center. The amount recognized by the Center as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Center were as follows:

The Center’s proportionate share of the collective Net OPEB Liability	\$ 18,732,126
State’s proportionate share that is associated with the Center	<u>22,850,251</u>
Total	<u>\$ 41,582,377</u>

The Net OPEB Liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the Total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer’s proportion of the Net OPEB Liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021 through August 31, 2022.

At August 31, 2022 the employer’s proportion of the collective Net OPEB Liability was 0.0782330525%, which was a decrease of 0.0019811373% from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

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

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

For the year ended August 31, 2023, the Center recognized OPEB expense of \$(3,242,635) and revenue of \$(3,242,635) for support provided by the State.

The amount of OPEB expense recognized by the Center in the reporting period was \$(5,969,011).

At August 31, 2023, the Center reported its proportionate share of the TRS-Care’s deferred outflows of resources and deferred inflows of resources related to other post-employment benefits (OPEB) from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,041,440	\$ 15,605,543
Changes in actuarial assumptions	2,853,274	13,013,967
Difference between projected and actual investment earnings	55,798	-
Changes in proportion and difference between the Center's contributions and the proportionate share of contributions	1,120,559	2,559,711
Contributions paid to TRS-Care subsequent to the measurement date	668,144	-
Total	\$ 5,739,215	\$ 31,179,221

The \$668,144 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2024.

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

Year Ended August 31:	OPEB Expense Amount
2024	\$ (4,860,095)
2025	(4,859,893)
2026	(4,065,530)
2027	(2,990,099)
2028	(3,162,569)
Thereafter	(6,169,964)
	\$ (26,108,150)

Changes in Net OPEB Liability:

	Beginning Balance	Additions	Reductions	Ending Balance
Net OPEB Liability	\$ 30,942,197	\$ -	\$ 12,210,071	\$ 18,732,126

Payable to the OPEB Plan: At August 31, 2023, the Center reported a payable of \$77,368 to the OPEB plan for the outstanding amount of contractually required contributions related to past service costs. Member contributions included in this payable were \$21,001.

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NOTES TO THE FINANCIAL STATEMENTS

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

Medicare Prescription Drug Program: The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Medicare Part D contributions made on behalf of the Center's employees for the year ended August 31, 2023, 2022, and 2021 were \$203,953, \$146,974, and \$155,526, respectively. These amounts are recorded as equal revenues and expenditures in the governmental fund financial statements of the Center.

M. Health Care Coverage

The Center participates in TRS Active Care, sponsored by the Teacher Retirement System of Texas, and administered by Aetna. TRS Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Authority for the plan can be found in the Texas Insurance Code, Title 1, Subtitle H, Chapter 1579, and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. This is a premium based plan. Payments are made on a monthly basis for all covered employees. During the year ended August 31, 2023, the Center contributed approximately \$500 per month per employee to the Plan. There were no other liabilities associated with the Plan.

N. Workers' Compensation

As required by law, the Center has acquired adequate workers' compensation insurance coverage contracted through Claims Administrative Service, Inc. The Center has chosen to participate in a political subdivision risk pool, which means that the Center shares its exposure with other school districts and public entities with similar employee populations. Currently, the Center employs more than 1,000 full-time and part-time employees, and pays about \$483,108 in workers' compensation premium annually. This premium is considered sufficient by Claims Administrative Services, Inc. and no contingent liability is required to be reported. This total amount paid for workers' compensation costs is approximately 1.11% of annual payroll.

O. Unemployment Self-insurance Fund

During the year ended August 31, 2023, the Center met its statutory unemployment compensation obligations by participating as a self-funded member of the Texas Association of School Boards (TASB) Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

As a self-funded member of the TASB Risk Management Fund, Region 19 ESC is solely responsible for all claims costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service.

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AUGUST 31, 2023

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund’s Board of Trustees in February the following year. The Fund’s audited financial statements as of August 31, 2022, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

P. Unearned Revenues

Unearned revenues at year-end consisted of the following:

	General Fund	Internal Service Funds	Total
Training and certification courses	\$ 67,750	\$ -	\$ 67,750
Professional development classes	244,462	-	244,462
Technology services	57,132	-	57,132
Event rentals	-	184,713	184,713
	\$ 369,344	\$ 184,713	\$ 554,057

Q. Revenue from Local and Intermediate Sources

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

	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Allied States Cooperative	Nonmajor Enterprise Funds	Total
Services to other districts	\$ 4,754,201	\$ 324,776	\$ -	\$ 4,348,686	\$ -	\$ 9,427,663
Tuition and fees	3,030	-	-	-	-	3,030
Investment income	430,290	-	-	-	-	430,290
Rent	-	-	731,184	-	-	731,184
Foundations or gifts	16,700	-	-	-	-	16,700
User charges	1,212,767	4,346,843	5,080,508	-	-	10,640,118
Enterprising Services	-	-	-	-	947,087	947,087
Miscellaneous	128,786	-	-	-	-	128,786
	\$ 6,545,774	\$ 4,671,619	\$ 5,811,692	\$ 4,348,686	\$ 947,087	\$ 22,324,858

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NOTES TO THE FINANCIAL STATEMENTS

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

R. Fund Balance

As of August 31, 2023, fund balances were composed of the following:

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
<u>NonSpendable:</u>				
Prepaid Items	\$ 23,136	\$ -	\$ -	\$ 23,136
<u>Restricted:</u>				
ESC Certification Program	-	-	56,189	56,189
ESC Teacher Recruitment	-	-	10,250	10,250
Total Federal and State Grant Restrictions	-	-	66,439	66,439
<u>Committed:</u>				
Parking Garage and Conference Center	2,858,522	-	-	2,858,522
Loan Principal and Interest	1,100,000	-	-	1,100,000
Total Construction	3,958,522	-	-	3,958,522
Network, Virtual, and Data Storage	290,000	-	-	290,000
Building Interior/Exterior Upgrades	1,350,000	-	-	1,350,000
Other Equipment	806,000	-	-	806,000
Total Capital Expenditures for Equipment	2,446,000	-	-	2,446,000
<u>Assigned:</u>				
Professional Conferences	620,951	-	-	620,951
Total Other Assigned Fund Balance	620,951	-	-	620,951
<u>Unassigned:</u>				
Unassigned Fund Balance	2,016,879	-	-	2,016,879
Total	\$ 9,065,488	\$ -	\$ 66,439	\$ 9,131,927

The Internal Leases fund (Fund 790) ended the year with a deficit net position. This was expected based on the nature of the new lease accounting rules, but should reverse itself over the term of the leases. However, the general fund will cover any amounts necessary.

S. Encumbrances

The Center had no outstanding encumbrances at August 31, 2023.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

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

T. Commitments and Contingencies

Litigation - The Center is the defendant in a number of lawsuits arising principally in the normal course of operations. The Center maintains insurance, and the deductible may be \$25,000 per claim to cover the various lawsuits. In the opinion of the management, the outcome of these lawsuits will not have a material effect on the accompanying basic financial statements and accordingly, no provision has been accrued.

Federal and State Funding - Region 19 Education Service Center participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Center has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at August 31, 2023, may be impaired.

U. Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board maintains insurance policies acquired from independent insurance carriers covering all structural property, automobiles, dishonesty, errors and omissions, boiler and machinery, personal property, and general liability. There have been no significant reductions in insurance coverage from prior years and settlements have not exceeded insurance coverage.

For the year ended August 31, 2023, Region 19 Education Service Center carried insurance for building and contents in the amount of \$116,890,376 with a deductible ranging from \$50,000 per occurrence to \$100,000 for wind, hail, or storm damage. Flood or earthquake deductible is \$50,000. Automobile liability coverage is limited to \$300,000 per occurrence with no deductible.

V. Related Party Transactions

From time to time, the Center may enter into transactions with related parties through the normal course of business. If a Board member has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material related party transactions during the fiscal year ending August 31, 2023.

W. Shared Services Arrangements

The Center is the fiscal agent for a Shared Services Arrangement (“SSA”) which provides support for migrant students across the area. According to guidance provided in TEA’s Resource Guide, the Center has accounted for the fiscal agent’s activities of the SSA in Special Revenue Fund 301, Shared Services Arrangements - ESEA Title I, Part C - Education of Migratory Children.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

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

Expenditures of the SSA are summarized below:

Canutillo I.S.D.	\$	58,144
Clint I.S.D.		33,007
Tornillo I.S.D.		17,684
Sierra Blanca I.S.D.		3,465
La Fe Preparatory School		109
Triumph Public High Schools - El Paso		91
Burnham Wood Charter Schools		74
		<hr/>
Total	\$	<u>112,574</u>

The Center is also the fiscal agent for an SSA which provides support for career and technical education across the area. According to guidance provided in TEA's Resource Guide, the Center has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund 331, Shared Services Arrangements - Career and Technical Education - Basic Grant.

Region 19 ESC	\$	65,139
Anthony I.S.D.		13,311
Fort Hancock I.S.D.		6,846
Sierra Blanca I.S.D.		603
Burnham Wood Charter Schools		11
		<hr/>
Total	\$	<u>85,910</u>

X. Restatement

As part of the Center's implementation of GASB No. 96, a restatement was necessary to establish the opening balances as of September 1, 2022, for the right-to-use lease assets and the right-to-use lease liabilities in the amount of \$159,567. The restatement had no impact on net position.

Y. New Accounting Pronouncements

The Center has not completed the process of evaluating the impact on its financial position that will result from adopting the following Governmental Accounting Standards Board (GASB) Statements:

- GASB No. 100, *Accounting Changes and Error Corrections*, effective for fiscal years beginning after June 15, 2023. GASB No. 100 enhances comparability and consistency in accounting and financial reporting for accounting changes and error corrections.
- GASB No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023. GASB No. 101 enhances consistency in recognition and measurement of the liability for compensated absences and comparability between governments that offer different types of leave.

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REQUIRED SUPPLEMENTARY INFORMATION

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Local and Intermediate Sources	\$ 4,877,198	\$ 5,622,783	\$ 6,545,774	\$ 922,991
5800	State Program Revenues	2,508,719	2,733,719	2,760,784	27,065
5900	Federal Program Revenues	3,055,000	3,055,000	3,359,136	304,136
5020	Total Revenues	10,440,917	11,411,502	12,665,694	1,254,192
EXPENDITURES:					
Current:					
0011	Instruction	278,291	375,287	330,993	44,294
0012	Instructional Resources and Media Services	172,034	173,666	114,206	59,460
0013	Curriculum and Instructional Staff Development	4,060,194	4,044,050	3,504,087	539,963
0021	Instructional Leadership	156,392	202,330	194,920	7,410
0023	School Leadership	53,274	59,048	50,247	8,801
0031	Guidance, Counseling, and Evaluation Services	179,872	189,922	148,378	41,544
0032	Social Work Services	80,535	94,163	81,184	12,979
0033	Health Services	4,256	4,256	3,244	1,012
0034	Student (Pupil) Transportation	53,903	54,266	44,252	10,014
0035	Food Services	59,577	90,777	82,060	8,717
0036	Extracurricular Activities	16,550	51,350	38,861	12,489
0041	General Administration	2,964,163	2,800,754	2,702,053	98,701
0051	Facilities Maintenance and Operations	770,355	812,511	617,998	194,513
0052	Security and Monitoring Services	-	100,400	48,430	51,970
0053	Data Processing Services	463,670	1,265,403	1,096,959	168,444
0061	Community Services	148,726	156,399	140,377	16,022
0062	School District Administrative Support (ESC Only)	979,125	1,077,298	942,375	134,923
Debt Service:					
0071	Principal on Long-Term Liabilities	-	2,520,000	2,463,678	56,322
0072	Interest on Long-Term Liabilities	-	580,000	480,638	99,362
6030	Total Expenditures	10,440,917	14,651,880	13,084,940	1,566,940
1200	Net Change in Fund Balances	-	(3,240,378)	(419,246)	2,821,132
0100	Fund Balance - September 1 (Beginning)	9,484,734	9,484,734	9,484,734	-
3000	Fund Balance - August 31 (Ending)	\$ 9,484,734	\$ 6,244,356	\$ 9,065,488	\$ 2,821,132

REGION 19 EDUCATION SERVICE CENTER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED AUGUST 31, 2023

Budgets and Budgetary Accounting

The Board adopts an "appropriated budget" for the General Fund. The Center is required to present the adopted and final amended budgeted revenues and expenditures for this fund. The Center compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1. The Board does not legally adopt a budget for special revenue funds since the budgets are designated by the grantor. As such, a budget to actual comparison is not presented in required supplementary information for the major special revenue funds.

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

1. Prior to the regularly scheduled Board meeting in August, the Center prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. On August 18, 2022, the budget was legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the Center has a policy of careful budgetary control, several amendments were necessary during the year. No expenditures were made prior to approval of the budget.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
Center's Proportion of the Net Pension Liability (Asset)	0.062949435%	0.064667183%	0.062262554%
Center's Proportionate Share of Net Pension Liability (Asset)	\$ 37,371,461	\$ 16,468,443	\$ 33,346,554
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Center	5,428,458	2,323,588	4,960,893
Total	<u>\$ 42,799,919</u>	<u>\$ 18,792,031</u>	<u>\$ 38,307,447</u>
Center's Covered Payroll	\$ 35,672,031	\$ 34,581,113	\$ 32,810,777
Center's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	104.76%	47.62%	101.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62%	88.79%	75.54%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.064704772%	0.065385587%	0.067186915%	0.064163064%	0.0692264%	0.0516847%
\$ 33,635,563	\$ 35,989,814	\$ 21,482,756	\$ 24,246,268	\$ 24,470,611	\$ 13,805,698
4,517,068	4,972,929	3,279,407	3,684,062	3,463,102	2,638,981
<u>\$ 38,152,631</u>	<u>\$ 40,962,743</u>	<u>\$ 24,762,163</u>	<u>\$ 27,930,330</u>	<u>\$ 27,933,713</u>	<u>\$ 16,444,679</u>
\$ 30,907,749	\$ 30,100,673	\$ 30,398,724	\$ 27,991,415	\$ 27,942,837	\$ 22,863,143
108.83%	119.56%	70.67%	86.62%	87.57%	60.38%
75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF CENTER'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contribution	\$ 3,145,286	\$ 2,936,168	\$ 2,759,454
Contribution in Relation to the Contractually Required Contribution	(3,145,286)	(2,936,168)	(2,759,454)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center's Covered Payroll	\$ 38,094,353	\$ 35,672,031	\$ 34,581,113
Contributions as a Percentage of Covered Payroll	8.26%	8.23%	7.98%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the Center's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

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

	2020	2019	2018	2017	2016	2015
\$	2,566,783	\$ 2,264,576	\$ 2,202,582	\$ 2,201,995	\$ 2,038,833	\$ 2,049,733
	(2,566,783)	(2,264,576)	(2,202,582)	(2,201,995)	(2,038,833)	(2,049,733)
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
\$	32,810,777	\$ 30,907,749	\$ 30,100,673	\$ 30,398,724	\$ 27,991,415	\$ 27,942,837
	7.82%	7.33%	7.32%	7.24%	7.28%	7.34%

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REGION 19 EDUCATION CENTER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR PENSIONS

FOR THE YEAR AUGUST 31, 2023

Changes of Benefit Terms

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

Changes of Assumptions

The Board adopted new assumptions on July 15, 2022 based on recommendations from the experience study for the period ending August 31, 2021. The primary assumption change was lowering of the discount rate from 7.25 percent to 7.00 percent. Please see the experience study report for a detailed list of changes with the rationale for each. The report is available at: https://www.trs.texas.gov/TRS%20Documents/actuarial_experience_study_2022.pdf.pdf

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
Center's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.078233052%	0.08021419%	0.077883761%
Center's Proportionate Share of Net OPEB Liability (Asset)	\$ 18,732,126	\$ 30,942,197	\$ 29,607,135
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the Center	22,850,251	41,455,649	39,784,892
Total	<u>\$ 41,582,377</u>	<u>\$ 72,397,846</u>	<u>\$ 69,392,027</u>
Center's Covered Payroll	\$ 35,672,031	\$ 26,680,812	\$ 32,810,777
Center's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	52.51%	107.88%	90.24%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.52%	6.18%	4.99%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts for FY 2023 are for the measurement date of August 31, 2022. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
0.079774482%	0.079874372%	0.082332772%
\$ 37,726,332	\$ 39,882,005	\$ 35,803,434
50,129,854	4,163,851	4,122,791
<u>\$ 87,856,186</u>	<u>\$ 44,045,856</u>	<u>\$ 39,926,225</u>
\$ 30,907,749	\$ 30,100,673	\$ 30,398,724
122.06%	132.50%	117.78%
2.66%	1.57%	0.91%

REGION 19 EDUCATION SERVICE CENTER
 SCHEDULE OF CENTER'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contribution	\$ 668,144	\$ 642,303	\$ 626,836
Contribution in Relation to the Contractually Required Contribution	(668,144)	(642,303)	(626,836)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center's Covered Payroll	\$ 38,094,353	\$ 35,672,031	\$ 28,680,812
Contributions as a Percentage of Covered Payroll	1.75%	1.80%	2.19%

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

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

	2020	2019	2018
\$	590,666	\$ 566,134	\$ 551,080
	(590,666)	(566,134)	(551,080)
\$	-	\$ -	\$ -
\$	32,810,777	\$ 30,907,749	\$ 26,276,743
	1.80%	1.83%	2.10%

REGION 19 EDUCATION CENTER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR OPEB

FOR THE YEAR ENDED AUGUST 31, 2023

Changes of Benefit Terms Since the Prior Measurement Period

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

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

- The discount rate changed from 1.95 percent as of August 31, 2021 to 3.91 percent as of August 31, 2022. This change decreased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 65% to 62%, and the participation rate for post-65 retirees was lowered from 40% to 25%. The rate of pre-65 retirees who are assumed to discontinue their coverage at age 65 was increased from 25% to 30%. These changes lowered the total OPEB liability.
- The trend rates were reset to better reflect the plan's anticipated experience. This change increased the total OPEB liability.

Difference Between Expected and Actual Experience

The primary driver of the \$4.5 billion experience gain was favorable claims experience, which resulted in lower overall 2023 retiree claims estimates than previously assumed.

SUPPLEMENTARY INFORMATION

REGION 19 EDUCATION SERVICE CENTER
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2023

Data Control Codes	206 ESSA, IX, A Homeless Children Ed.	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	225 IDEA - Part B Preschool	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	26,653	228,177	68,481	52,251
1260	Due from Other Funds	-	-	-	-
1490	Prepayments	-	869	-	-
1000	Total Assets	<u>\$ 26,653</u>	<u>\$ 229,046</u>	<u>\$ 68,481</u>	<u>\$ 52,251</u>
LIABILITIES					
2110	Accounts Payable	\$ 51	\$ 635	\$ 261	\$ 107
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	26,602	228,411	68,220	52,144
2180	Due to Other Governments	-	-	-	-
2190	Due to Student Groups	-	-	-	-
2000	Total Liabilities	<u>26,653</u>	<u>229,046</u>	<u>68,481</u>	<u>52,251</u>
FUND BALANCES					
Restricted Fund Balance:					
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 26,653</u>	<u>\$ 229,046</u>	<u>\$ 68,481</u>	<u>\$ 52,251</u>

226 IDEA - Part B Discretionary	241 ESC Child Nutrition	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 ESEA III, A English Lang. Acquisition	266 ESSER 1 - Emergency Sch Relief Fund	272 Medicaid Admin. Claim MAC	274 GEAR UP
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
231,890	159,045	13,011	27,987	114,498	-	97,018	42,286
-	-	-	-	-	-	-	-
3,888	-	-	500	250	-	-	-
<u>\$ 235,778</u>	<u>\$ 159,045</u>	<u>\$ 13,011</u>	<u>\$ 28,487</u>	<u>\$ 114,748</u>	<u>\$ -</u>	<u>\$ 97,018</u>	<u>\$ 42,286</u>
\$ 5,363	\$ 1,208	\$ 313	\$ -	\$ 1,642	\$ -	\$ -	\$ 6,304
-	-	-	-	3,409	-	-	-
230,415	157,837	12,698	28,487	109,697	-	97,018	35,982
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>235,778</u>	<u>159,045</u>	<u>13,011</u>	<u>28,487</u>	<u>114,748</u>	<u>-</u>	<u>97,018</u>	<u>42,286</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 235,778</u>	<u>\$ 159,045</u>	<u>\$ 13,011</u>	<u>\$ 28,487</u>	<u>\$ 114,748</u>	<u>\$ -</u>	<u>\$ 97,018</u>	<u>\$ 42,286</u>

REGION 19 EDUCATION SERVICE CENTER
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2023

Data Control Codes	278 ESSER (ARP) Homeless Children	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	288 Early Childhood Intervention
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240 Due from Other Governments	16,311	209,264	418,734	837,450
1260 Due from Other Funds	-	-	-	-
1490 Prepayments	-	-	-	1,034
1000 Total Assets	<u>\$ 16,311</u>	<u>\$ 209,264</u>	<u>\$ 418,734</u>	<u>\$ 838,484</u>
LIABILITIES				
2110 Accounts Payable	\$ 71	\$ -	\$ 730	\$ 127,349
2160 Accrued Wages Payable	-	-	12,207	10,188
2170 Due to Other Funds	16,240	209,264	405,797	700,947
2180 Due to Other Governments	-	-	-	-
2190 Due to Student Groups	-	-	-	-
2000 Total Liabilities	<u>16,311</u>	<u>209,264</u>	<u>418,734</u>	<u>838,484</u>
FUND BALANCES				
Restricted Fund Balance:				
3490 Other Restricted Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 16,311</u>	<u>\$ 209,264</u>	<u>\$ 418,734</u>	<u>\$ 838,484</u>

289 Other Federal Special Revenue Funds	301 SSA ESEA I, C Migrant	331 SSA - Career & Technical - Basic Grant	367 SSA - ESSER III - Homelss Children- ARP	379 Other Federal SSA Special Revenue Funds	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	403 ESC Certification Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
645,947	60,182	59,399	18,864	15,949	54,945	12,730	-
-	-	-	-	-	-	-	56,189
1,187	-	-	-	-	-	-	-
<u>\$ 647,134</u>	<u>\$ 60,182</u>	<u>\$ 59,399</u>	<u>\$ 18,864</u>	<u>\$ 15,949</u>	<u>\$ 54,945</u>	<u>\$ 12,730</u>	<u>\$ 56,189</u>
\$ 118,045	\$ 48,840	\$ 6,846	\$ 2,062	\$ 61	\$ 871	\$ 3,770	\$ -
26,484	-	-	-	-	-	-	-
502,605	11,342	52,553	16,802	15,888	54,074	8,960	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>647,134</u>	<u>60,182</u>	<u>59,399</u>	<u>18,864</u>	<u>15,949</u>	<u>54,945</u>	<u>12,730</u>	<u>-</u>
-	-	-	-	-	-	-	56,189
-	-	-	-	-	-	-	56,189
<u>\$ 647,134</u>	<u>\$ 60,182</u>	<u>\$ 59,399</u>	<u>\$ 18,864</u>	<u>\$ 15,949</u>	<u>\$ 54,945</u>	<u>\$ 12,730</u>	<u>\$ 56,189</u>

REGION 19 EDUCATION SERVICE CENTER
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2023

Data Control Codes	405 ESC Gifted and Talented	406 ESC Teacher Recruitment	410 State Instructional Materials	429 Other State Special Revenue Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240 Due from Other Governments	7,347	-	-	498,338
1260 Due from Other Funds	-	10,250	-	-
1490 Prepayments	-	-	-	-
1000 Total Assets	<u>\$ 7,347</u>	<u>\$ 10,250</u>	<u>\$ -</u>	<u>\$ 498,338</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ 21,868
2160 Accrued Wages Payable	-	-	-	3,598
2170 Due to Other Funds	7,347	-	-	472,872
2180 Due to Other Governments	-	-	-	-
2190 Due to Student Groups	-	-	-	-
2000 Total Liabilities	<u>7,347</u>	<u>-</u>	<u>-</u>	<u>498,338</u>
FUND BALANCES				
Restricted Fund Balance:				
3490 Other Restricted Fund Balance	-	10,250	-	-
3000 Total Fund Balances	<u>-</u>	<u>10,250</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 7,347</u>	<u>\$ 10,250</u>	<u>\$ -</u>	<u>\$ 498,338</u>

459 Other SSA Special Revenue Funds	480 Wells Fargo Scholarship Fund	486 Head Start Scholarship Fund	487 Migrant Trust Fund	488 Far West TX School Board Association	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 34,195	\$ -	\$ -	\$ -	\$ 34,195
75,901	-	-	-	-	61,323	4,053,981
-	100	-	3,171	72,539	-	142,249
-	-	-	-	-	-	7,728
<u>\$ 75,901</u>	<u>\$ 100</u>	<u>\$ 34,195</u>	<u>\$ 3,171</u>	<u>\$ 72,539</u>	<u>\$ 61,323</u>	<u>\$ 4,238,153</u>
\$ 443	\$ -	\$ -	\$ -	\$ -	\$ 397	\$ 347,237
-	-	-	-	-	-	55,886
75,458	-	-	-	-	60,926	3,658,586
-	-	34,195	-	72,539	-	106,734
-	100	-	3,171	-	-	3,271
<u>75,901</u>	<u>100</u>	<u>34,195</u>	<u>3,171</u>	<u>72,539</u>	<u>61,323</u>	<u>4,171,714</u>
-	-	-	-	-	-	66,439
-	-	-	-	-	-	66,439
<u>\$ 75,901</u>	<u>\$ 100</u>	<u>\$ 34,195</u>	<u>\$ 3,171</u>	<u>\$ 72,539</u>	<u>\$ 61,323</u>	<u>\$ 4,238,153</u>

REGION 19 EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	206 ESSA, IX, A Homeless Children Ed.	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	225 IDEA - Part B Preschool
REVENUES:				
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	91,521	851,060	206,590	203,156
5020 Total Revenues	91,521	851,060	206,590	203,156
EXPENDITURES:				
Current:				
0011 Instruction	3,579	-	81,540	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	696,757	-	196,321
0021 Instructional Leadership	73,235	-	72,993	-
0031 Guidance, Counseling, and Evaluation Services	-	-	41,701	-
0032 Social Work Services	-	-	1,292	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	12,337	-	350	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	2,220	-	8,019	6,835
0053 Data Processing Services	-	-	-	-
0061 Community Services	150	-	695	-
0062 School District Administrative Support (ESC Only)	-	154,303	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	91,521	851,060	206,590	203,156
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

226 IDEA - Part B Discretionary	241 ESC Child Nutrition	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 ESEA III, A English Lang. Acquisition	266 ESSER 1 - Emergency Sch Relief Fund	272 Medicaid Admin. Claim MAC	274 GEAR UP
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
790,398	317,760	51,319	62,611	351,093	10,654	331,148	256,243
790,398	317,760	51,319	62,611	351,093	10,654	331,148	256,243
3,906	-	-	-	-	-	331,148	64,504
-	-	-	-	-	-	-	-
743,825	-	24,741	37,618	268,249	10,654	-	136,285
-	-	-	-	-	-	-	-
-	-	25,498	-	-	-	-	54,556
-	-	-	-	-	-	-	-
4,220	-	-	-	-	-	-	-
-	298,882	-	-	-	-	-	-
14,003	-	-	-	-	-	-	450
-	-	-	-	24,252	-	-	-
24,444	18,878	1,080	-	-	-	-	448
-	-	-	-	58,592	-	-	-
-	-	-	-	-	-	-	-
-	-	-	24,993	-	-	-	-
-	-	-	-	-	-	-	-
790,398	317,760	51,319	62,611	351,093	10,654	331,148	256,243
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

REGION 19 EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	278 ESSER (ARP) Homeless Children	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	288 Early Childhood Intervention
REVENUES:				
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 4,160,698
5800 State Program Revenues	-	-	-	1,194,139
5900 Federal Program Revenues	53,563	602,096	738,916	1,701,549
5020 Total Revenues	53,563	602,096	738,916	7,056,386
EXPENDITURES:				
Current:				
0011 Instruction	7,587	-	-	2,718,562
0012 Instructional Resources and Media Services	-	-	5,415	-
0013 Curriculum and Instructional Staff Development	-	602,096	449,522	-
0021 Instructional Leadership	42,979	-	-	1,153,670
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	2,979,029
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	2,997	-	47,228	142,179
0053 Data Processing Services	-	-	129,685	-
0061 Community Services	-	-	-	62,946
0062 School District Administrative Support (ESC Only)	-	-	107,066	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	53,563	602,096	738,916	7,056,386
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

289 Other Federal Special Revenue Funds	301 SSA ESEA I, C Migrant	331 SSA - Career & Technical - Basic Grant	367 SSA - ESSER III - Homelss Children- ARP	379 Other Federal SSA Special Revenue Funds	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	403 ESC Certification Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	181,466	31,290	-
3,881,901	112,574	85,910	35,661	31,536	-	-	-
3,881,901	112,574	85,910	35,661	31,536	181,466	31,290	-
-	22,199	-	29,816	31,536	5,138	-	-
-	-	-	-	-	-	-	-
776,292	-	-	-	-	93,365	6,258	-
-	9,204	-	1,134	-	-	-	-
-	-	85,910	-	-	78,008	-	-
-	31,245	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,096,729	-	-	-	-	-	-	-
-	763	-	-	-	-	-	-
-	-	-	-	-	-	-	-
8,880	-	-	3,996	-	4,955	-	-
-	-	-	-	-	-	-	-
-	360	-	715	-	-	25,032	-
-	-	-	-	-	-	-	-
-	48,803	-	-	-	-	-	-
3,881,901	112,574	85,910	35,661	31,536	181,466	31,290	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	56,189
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,189

REGION 19 EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	405 ESC Gifted and Talented	406 ESC Teacher Recruitment	410 State Instructional Materials	429 Other State Special Revenue Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	10,350	-	1,128	1,284,802
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	10,350	-	1,128	1,284,802
EXPENDITURES:				
Current:				
0011 Instruction	-	-	-	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	10,350	-	1,128	1,003,043
0021 Instructional Leadership	-	-	-	231,816
0031 Guidance, Counseling, and Evaluation Services	-	-	-	9,277
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	40,383
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	283
0062 School District Administrative Support (ESC Only)	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	10,350	-	1,128	1,284,802
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	10,250	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 10,250	\$ -	\$ -

459 Other SSA Special Revenue Funds	480 Wells Fargo Scholarship Fund	486 Head Start Scholarship Fund	487 Migrant Trust Fund	488 Far West TX School Board Association	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ 509,921	\$ 4,671,619
71,439	-	-	-	-	-	2,774,614
-	-	-	-	-	-	10,767,259
71,439	1,000	-	-	-	509,921	18,213,492
-	-	-	-	-	-	3,299,515
-	-	-	-	-	-	5,415
71,439	-	-	-	-	506,776	5,634,719
-	-	-	-	-	-	1,585,031
-	-	-	-	-	-	294,950
-	-	-	-	-	-	3,011,566
-	-	-	-	-	-	4,220
-	-	-	-	-	-	3,395,611
-	1,000	-	-	-	-	28,903
-	-	-	-	-	-	24,252
-	-	-	-	-	3,145	315,687
-	-	-	-	-	-	188,277
-	-	-	-	-	-	90,181
-	-	-	-	-	-	286,362
-	-	-	-	-	-	48,803
71,439	1,000	-	-	-	509,921	18,213,492
-	-	-	-	-	-	-
-	-	-	-	-	-	66,439
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,439

REGION 19 EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 AUGUST 31, 2023

	754 Computer Operations	770 Facilities
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ -
Due from Other Funds	330,315	1,174,727
Other Receivables, net	-	97,447
Prepayments	-	-
Total Current Assets	330,315	1,272,174
Noncurrent Assets:		
Capital Assets:		
Buildings and Improvements, Net	-	382
Furniture and Equipment, Net	-	38,759
Right-to-Use Lease Asset, Net	-	-
SBITA Asset, Net	-	-
Receivable, noncurrent	-	249,275
Total Noncurrent Assets	-	288,416
Total Assets	330,315	1,560,590
LIABILITIES		
Current Liabilities:		
Accounts Payable	138	6,638
Accrued Wages Payable	-	2,203
Due to Other Funds	-	-
Unearned Revenues	-	-
Total Current Liabilities	138	8,841
Noncurrent Liabilities:		
Leases Payable - Due Within One Year	-	-
SBITA Payable - Due Within One Year	-	-
Right-to-Use Lease Liability - Long Term	-	-
SBITA Liability - Long Term	-	-
Total Noncurrent Liabilities	-	-
Total Liabilities	138	8,841
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to Leases	-	338,880
Total Deferred Inflows of Resources	-	338,880
NET POSITION		
Net Investment in Capital Assets	-	39,141
Unrestricted Net Position	330,177	1,173,728
Total Net Position	\$ 330,177	\$ 1,212,869

773 Common Area Service	775 Starlight Event Center	780 Workers' Compensation	782 Unemployment Compensation	790 Internal Leases	792 Subscription Based IT Arrangements	Total Internal Service Funds
\$ -	\$ 1,101	\$ 646,540	\$ 1,011,969	\$ -	\$ -	\$ 1,659,610
399,181	190,669	-	853,932	-	-	2,948,824
-	36,432	-	-	-	-	133,879
-	-	177,810	-	-	-	177,810
<u>399,181</u>	<u>228,202</u>	<u>824,350</u>	<u>1,865,901</u>	<u>-</u>	<u>-</u>	<u>4,920,123</u>
-	-	-	-	-	-	382
-	17,289	-	-	-	-	56,048
-	-	-	-	2,674,969	-	2,674,969
-	-	-	-	-	345,739	345,739
-	-	-	-	-	-	249,275
<u>-</u>	<u>17,289</u>	<u>-</u>	<u>-</u>	<u>2,674,969</u>	<u>345,739</u>	<u>3,326,413</u>
<u>399,181</u>	<u>245,491</u>	<u>824,350</u>	<u>1,865,901</u>	<u>2,674,969</u>	<u>345,739</u>	<u>8,246,536</u>
-	52,165	53,162	-	-	-	112,103
-	8,613	-	-	-	-	10,816
-	-	300,022	-	-	-	300,022
-	184,713	-	-	-	-	184,713
<u>-</u>	<u>245,491</u>	<u>353,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>607,654</u>
-	-	-	-	583,236	-	583,236
-	-	-	-	-	225,080	225,080
-	-	-	-	2,200,874	-	2,200,874
-	-	-	-	-	47,139	47,139
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,784,110</u>	<u>272,219</u>	<u>3,056,329</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>338,880</u>
<u>-</u>	<u>245,491</u>	<u>353,184</u>	<u>-</u>	<u>2,784,110</u>	<u>272,219</u>	<u>4,002,863</u>
-	17,289	-	-	(109,141)	73,520	20,809
399,181	(17,289)	471,166	1,865,901	-	-	4,222,864
<u>\$ 399,181</u>	<u>\$ -</u>	<u>\$ 471,166</u>	<u>\$ 1,865,901</u>	<u>\$ (109,141)</u>	<u>\$ 73,520</u>	<u>\$ 4,243,673</u>

REGION 19 EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2023

	754 Computer Operations	770 Facilities
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 356,160	\$ 1,171,643
Total Operating Revenues	<u>356,160</u>	<u>1,171,643</u>
OPERATING EXPENSES:		
Payroll Costs	116,119	312,521
Professional and Contracted Services	104,029	413,460
Supplies and Materials	12,852	59,299
Other Operating Costs	1,663	39,811
Depreciation/Amortization Expense	-	8,341
Total Operating Expenses	<u>234,663</u>	<u>833,432</u>
Operating Income (Loss)	<u>121,497</u>	<u>338,211</u>
NONOPERATING REVENUES (EXPENSES):		
Earnings from Temporary Deposits & Investments	-	-
Lease Interest Revenue	-	13,215
Non-operating Interest Expense	-	-
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>13,215</u>
Income (Loss) Before Transfers	121,497	351,426
Transfers In	-	-
Change in Net Position	<u>121,497</u>	<u>351,426</u>
Total Net Position - September 1 (Beginning)	<u>208,680</u>	<u>861,443</u>
Total Net Position - August 31 (Ending)	<u>\$ 330,177</u>	<u>\$ 1,212,869</u>

773 Common Area Service	775 Starlight Event Center	780 Workers' Compensation	782 Unemployment Compensation	790 Internal Leases	792 Subscription Based IT Arrangements	Total Internal Service Funds
\$ 343,583	\$ 2,242,307	\$ 555,689	\$ 245,690	\$ 663,372	\$ 233,248	\$ 5,811,692
343,583	2,242,307	555,689	245,690	663,372	233,248	5,811,692
215,945	731,292	-	-	-	-	1,375,877
48,860	1,234,437	-	-	-	-	1,800,786
7,368	166,444	-	-	-	-	245,963
799	419,283	483,107	-	-	-	944,663
-	1,921	-	-	591,933	159,704	761,899
272,972	2,553,377	483,107	-	591,933	159,704	5,129,188
70,611	(311,070)	72,582	245,690	71,439	73,544	682,504
-	-	27,688	43,855	-	-	71,543
-	-	-	-	-	-	13,215
-	-	-	-	(103,722)	(24)	(103,746)
-	-	27,688	43,855	(103,722)	(24)	(18,988)
70,611	(311,070)	100,270	289,545	(32,283)	73,520	663,516
-	311,070	-	-	-	-	311,070
70,611	-	100,270	289,545	(32,283)	73,520	974,586
328,570	-	370,896	1,576,356	(76,858)	-	3,269,087
\$ 399,181	\$ -	\$ 471,166	\$ 1,865,901	\$ (109,141)	\$ 73,520	\$ 4,243,673

REGION 19 EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2023

	754 Computer Operations	770 Facilities
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Assessments - Other Funds	\$ 234,525	\$ 875,143
Cash Payments to Employees for Services	(116,119)	(313,468)
Cash Payments for Suppliers	(116,743)	(435,894)
Cash Payments for Other Operating Expenses	(1,663)	(39,811)
Net Cash Provided by (Used for) Operating Activities	<u>-</u>	<u>85,970</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Transfers In	-	-
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Acquisition of Capital Assets	-	-
Lease Revenue	-	(99,185)
Interest on Right-to-Use Assets	-	-
Principal on Right-to-Use Assets	-	-
Net Cash Used for Capital and Related Financing	<u>-</u>	<u>(99,185)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Income - Leases Receivable	-	13,215
Interest and Dividends on Investments	-	-
Net Cash Provided by Investing Activities	<u>-</u>	<u>13,215</u>
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at Beginning of Year	-	-
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ -</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided By (Used For) Operating Activities:</u>		
Operating Income (Loss):	\$ 121,497	\$ 338,211
Adjustments to Reconcile Operating Income		
to Net Cash Provided by (Used For) Operating Activities:		
Depreciation/Amortization	-	8,341
Effect of Increases and Decreases in Current		
Assets and Liabilities:		
Decrease (increase) in Due from Other Funds	(121,635)	(390,769)
Decrease (increase) in Receivables	-	94,269
Decrease (increase) in Prepaid Expenses	-	30,227
Increase (decrease) in Accounts Payable	138	6,638
Increase (decrease) in Accrued Wages Payable	-	(947)
Increase (decrease) in Due to Other Funds	-	-
Increase (decrease) in Unearned Revenue	-	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ -</u>	<u>\$ 85,970</u>
<u>Noncash Investing, Capital and Financing Activities:</u>		
Borrowing Under Right-to- Use Assets	-	-

773 Common Area Service	775 Starlight Event Center	780 Workers' Compensation	782 Unemployment Compensation	790 Internal Leases	792 Subscription Based IT Arrangements	Total Internal Service Funds
\$ 272,972	\$ 2,188,146	\$ 555,689	\$ 7,352	\$ 663,372	\$ 233,248	\$ 5,030,447
(215,945)	(725,395)	-	-	-	-	(1,370,927)
(56,228)	(1,334,828)	-	-	-	-	(1,943,693)
(799)	(419,283)	(555,689)	(7,352)	-	-	(1,024,597)
-	(291,360)	-	-	663,372	233,248	691,230
-	311,070	-	-	-	-	311,070
-	(19,210)	-	-	-	-	(19,210)
-	-	-	-	-	-	(99,185)
-	-	-	-	(103,722)	(24)	(103,746)
-	-	-	-	(559,650)	(233,224)	(792,874)
-	(19,210)	-	-	(663,372)	(233,248)	(1,015,015)
-	-	-	-	-	-	13,215
-	-	27,688	43,855	-	-	71,543
-	-	27,688	43,855	-	-	84,758
-	500	27,688	43,855	-	-	72,043
-	601	618,852	968,114	-	-	1,587,567
\$ -	\$ 1,101	\$ 646,540	\$ 1,011,969	\$ -	\$ -	\$ 1,659,610
\$ 70,611	\$ (311,070)	\$ 72,582	\$ 245,690	\$ 71,439	\$ 73,544	\$ 682,504
-	1,921	-	-	591,933	159,704	761,899
(70,611)	(190,669)	-	(238,338)	-	-	(1,012,022)
-	16,925	-	-	-	-	111,194
-	82,183	(5,831)	-	-	-	106,579
-	41,293	19,175	(7,352)	-	-	59,892
-	5,897	-	-	-	-	4,950
-	(57,423)	(85,926)	-	-	-	(143,349)
-	119,583	-	-	-	-	119,583
\$ -	\$ (291,360)	\$ -	\$ -	\$ 663,372	\$ 233,248	\$ 691,230
-	-	-	-	19,822	345,876	365,698

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FEDERAL AND STATE AWARD 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 *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Region 19 Education Service Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Region 19 Education Service Center, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise Region 19 Education Service Center's basic financial statements, and have issued our report thereon dated December 8, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Region 19 Education Service Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Region 19 Education Service Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Region 19 Education Service Center's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Region 19 Education Service Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in black ink that reads "Gibson Ruddock Patterson LLC". The signature is written in a cursive, flowing style.

Gibson Ruddock Patterson, LLC
El Paso, Texas
December 8, 2023

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

To the Board of Directors
Region 19 Education Service Center

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal Program

We have audited Region 19 Education Service Center's 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 Region 19 Education Service Center's major federal and state programs for the year ended August 31, 2023. Region 19 Education Service 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, Region 19 Education Service Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Region 19 Education Service 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 Region 19 Education Service 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 Region 19 Education Service 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 Region 19 Education Service 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*, the Uniform Guidance, and the Texas Grant Management Standards 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 Region 19 Education Service 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 Region 19 Education Service 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 Region 19 Education Service 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 Region 19 Education Service Center's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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



Gibson Ruddock Patterson, LLC
El Paso, Texas
December 8, 2023

REGION 19 EDUCATION SERVICE CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2023

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Were significant deficiencies in internal control disclosed? None reported

Were material weaknesses in internal control disclosed? No

Was any noncompliance disclosed that is material to the financial statements of the auditee, which would be required to be reported in accordance with Government Auditing Standards? No

Federal and State Awards

Internal control over major federal and state award programs:

Were significant deficiencies in internal control over major programs disclosed? Federal - None reported
State - None reported

Were material weaknesses in internal control over major programs disclosed? Federal - No
State - No

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

Were there any audit findings that the auditor is required to disclose under Title 2 CFR 200.516 Audit findings paragraph (a) or the Texas Grant Management Standards? Federal Programs - No
State Programs - No

Major Federal Programs:

Head Start:
Assistance Listing No. 93.600

COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund and American Rescue Plan(ARP) :
Assistance Listing No. 84.425D, 84.425U, 84.425W

Major State Program:

Texas Health and Human Services Commission - Early Childhood Intervention

Dollar threshold used to distinguish between type A and type B programs: Federal - \$1,764,406
State - \$750,000

Did auditee qualified as low-risk auditee under 2 CFR 200.520 Criteria for a low-risk auditee and the Texas Grant Management Standards? Federal - Yes
State - N/A

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023

FINANCIAL STATEMENT FINDINGS

There are no current year findings.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no current year findings.

STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no current year findings.

REGION 19 EDUCATION SERVICE CENTER

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2023

FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

FEDERAL AWARD FINDING AND QUESTIONED COSTS

There were no prior year findings.

STATE AWARD FINDING AND QUESTIONED COSTS

There were no prior year findings.

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Health and Human Services Commission</u>			
*Special Education - Grants to States	84.027	HHS000640200033	\$ 101,520
Special Education - Grants for Infants & Families	84.181	HHS000640200033	1,331,931
Total Passed Through Texas Health and Human Services Commission			1,433,451
<u>Passed Through Texas Education Agency</u>			
ESEA, Title I, Part A - School Improvement Facilitation	84.010A	226101547110019	53,200
ESEA, Title I, Part A - School Improvement Facilitation	84.010A	236101547110019	615,453
ESEA, Title I, Part A - Basic Services Initiative	84.010A	236101197110019	71,807
ESEA, Title I, Part A - ESC Performance Management	84.010A	216101657110019	3,303
ESEA, Title I, Part A - Instructional Leadership	84.010A	226101507110019	137,025
ESEA, Title I, Part A - Instructional Leadership Expansion	84.010A	236101457110019	23,654
Total Assistance Listing Number 84.010			904,442
ESEA, Title I, Part C - Migratory Children	84.011A	236150027110019	219,546
SSA - ESEA, Title I, Part C - Migratory Children	84.011A	22615001071950	563
SSA - ESEA, Title I, Part C - Migratory Children	84.011A	23615001071950	116,010
Total Assistance Listing Number 84.011			336,119
*ESC IDEA - Part B - Sensory Impairment	84.027A	236600227110019	57,085
*ESC IDEA - Part B - Special Education Liaisons	84.027A	236600657110019	597,217
*ESC IDEA - Part B - Special Education Leadership	84.027A	236600587110019	185,665
Total Assistance Listing Number 84.027			839,967
*ESC IDEA - Part B - Preschool	84.173A	236610227110019	215,898
Total Special Education Cluster (IDEA)			1,055,865
Career and Technical - Basic Grant - Administration	84.048A	234200107110019	27,319
Career and Technical - Basic Grant - Leadership	84.048A	234200097110019	26,898
SSA - Career and Technical - Strengthening CTE for 21st Cent.	84.048A	23420006071950	21,809
SSA - Career and Technical - Effective Advising	84.048A	234200297110007	68,396
Total Assistance Listing Number 84.048			144,422
ESEA, Title X, Part C - ESC Capacity Building Grant	84.196A	234600087110019	71,400
Texas Education for Homeless Children	84.196A	234600057110091	25,862
Total Assistance Listing Number 84.196			97,262
GEAR UP	84.334S	215111017110004	21,027
GEAR UP	84.334S	225111017110004	251,293
Total Assistance Listing Number 84.334			272,320
Title III, Part A - Basic Services Grant	84.365A	236710027110019	31,742
Title III, Part A - Bilingual Certification Preparation	84.365A	226710097110001	29,278
Title III, Part A - Certification Preparation	84.365A	236710097110001	282,611
Title III, Part A - Enhancing Program Implementation	84.365A	236710157110019	29,471
Total Assistance Listing Number 84.365			373,102
ESEA, Title II, Part A - ESC Basic Services	84.367A	236945747110019	37,599
ESEA, Title II, Part A - Instructional Leadership	84.367A	226945737110019	26,562
ESEA, Title II, Part A - ESC Equity Plan Support	84.367A	236945647110019	2,374
Total Assistance Listing Number 84.367			66,535

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
Tri-Coaching and Professional Development	84.371 C	216470027110009	6,756
Tri-Coaching and Professional Development	84.371 C	226470027110013	103,049
Total Assistance Listing Number 84.371			109,805
Title IV, Part A - Basic Services Grant	84.424 A	236801057110019	93,697
Title IV, Part A - ESC Mental Behavioral Health	84.424 A	226801117110019	12,835
Title IV, Part A - ESC Mental Behavioral Health	84.424 A	236801117110019	60,537
Total Assistance Listing Number 84.424			167,069
COVID-19 - ESSER I - Technical Assistance	84.425 D	20521011071950	11,322
COVID-19 - ESSER II - Technical Assistance	84.425 D	215210467110019	35,014
COVID 19 - ESSER II - THL Dedicated Staff	84.425 D	215210407110019	597,601
COVID-19 - ESSER III - ESC Technical Assistance	84.425 U	215280457110019	1,385
COVID-19 - ESSER III - Dedicated Staff	84.425 U	215280407110019	22,991
COVID-19 - ESSER III - ESC Accelerated Learning	84.425 U	215280417110019	330,234
COVID-19 - ESSER III - ESC Accelerated Learning	84.425 U	215280847110011	113,754
COVID-19 - ESSER III - ESC Tutoring Support	84.425 U	215280277110019	152,332
COVID-19 - ESSER III - ESC Staff & Talent Expansion	84.425 U	215280207110011	164,237
COVID-19 - ARP Homeless I - ESC Capacity Building	84.425 W	215330037110019	56,923
COVID-19 - ARP Homeless II	84.425 W	21533002071950	37,896
COVID-19 - ARP Homeless I - Technology Supplement	84.425 W	215330017110091	33,514
Total Assistance Listing Number 84.425			1,557,203
ESSA - Basic Services Grant	84.999	236000117110019	17,765
Total Passed Through Texas Education Agency			5,101,909
TOTAL U.S. DEPARTMENT OF EDUCATION			6,535,360
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
Head Start and Early Head Start	93.600	06CH01107002	25,820
Head Start and Early Head Start	93.600	06CH011070-03	2,903,786
Head Start and Early Head Start	93.600	06CH01107004	33,449,252
Head Start and Early Head Start	93.600	06CH01107005	6,752,435
Head Start and Early Head Start	93.600	06CH7147-05-23	79,487
COVID-19 - Head Start and Early Head Start	93.600	06HE000798C5	177,718
COVID-19 - ARP - Head Start and Early Head Start	93.600	06HE000798C6	4,010,193
Total Assistance Listing Number 93.600			47,398,691
Total Direct Programs			47,398,691
<u>Passed Through Texas Education Agency</u>			
COVID-19 - Public Health Workforce	93.354	223934017110019	526,506
Total Passed Through Texas Education Agency			526,506
<u>Passed Through Texas Health and Human Services Commission</u>			
Temporary Assistance for Needy Families	93.558	53820015272-01	278,206
Preschool Development Grants	93.434	HHS000640200033	96,171
Medicaid Administrative Claiming Program - MAC	93.778	529-11-0040-00027	351,887
Total Passed Through Texas Health and Human Services Commission			726,264
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			48,651,461

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the Texas Department of Agriculture</u>			
Education Service Center Child Nutrition	10.560	NT4XL1YGLGC5	21,171
Education Service Center Child Nutrition	10.560	NT4XL1YGLGC5	316,470
Total Assistance Listing Number 10.560			337,641
Child & Adult Care Food Program	10.558	NT4XL1YGLGC5	362,494
Child & Adult Care Food Program	10.558	NT4XL1YGLGC5	2,926,590
Total Assistance Listing Number 10.558			3,289,084
Total Passed Through the Texas Department of Agriculture			3,626,725
TOTAL U.S. DEPARTMENT OF AGRICULTURE			3,626,725
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 58,813,546
*Clustered Programs			

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

REGION 19 EDUCATION SERVICE CENTER

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED AUGUST 31, 2023

<u>State Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Contract #</u>	<u>State Expenditures</u>
Texas Health and Human Services Commission		
Early Childhood Intervention (ECI)	HHS000640200033	\$ 1,246,520
Respite	HHS000640200033	<u>20,715</u>
Total Texas Health and Human Services Commission		<u>1,267,235</u>
Total Expenditures of State Awards		<u>\$ 1,267,235</u>

REGION 19 EDUCATION SERVICE CENTER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED AUGUST 31, 2023

1. GENERAL

For all federal programs, the Center uses the fund types specified in the Texas Education Agency's *Financial Accountability System Resource Guide*.

Special Revenue Funds are used to account for resources restricted to, or committed for specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. If balances have not been expended by the end of the project period, grantors sometimes require the Center to refund all or part of the unused amount.

The accompanying schedule of expenditures of federal and state awards (the "schedules") include the federal and state award activity of the Center under programs of the federal and state government for the year ended August 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Texas Grant Management Standards. Because the schedules present only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Center.

2. BASIS OF ACCOUNTING

Accounting and Financial Reporting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All federal and state grant funds are accounted for either in the General Fund or a Special Revenue Fund which are governmental fund types. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal and state grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When grant funds are received before expenditures are made, they are recorded as unearned revenues until earned. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the Texas Grant Management Standards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED AUGUST 31, 2023

2. BASIS OF ACCOUNTING (Continued)

Period of Performance

The period of performance for federal and state grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, OMB Compliance Supplement - May 2023 and the Texas Grant Management Standards.

3. INDIRECT COST RATE

The Center did not elect to use the 10% de minimus indirect cost rate, but used the indirect cost rate assigned by the Texas Education Agency.

The Center accounted for federally funded indirect costs in the General Fund as follows:

Program Title	Assistance Listing Number	Amount
Early Childhood Intervention	various	\$ 106,279
ESEA, Title I, Part A - Improving Basic Programs	84.010A	53,382
ESEA, Title I, Part C - Migratory Children	84.011A	12,956
SSA - ESEA, Title I, Part C - Migratory Children	84.011A	3,999
ESC IDEA - Part B - Discretionary	84.027A	49,569
ESC IDEA - Part B - Preschool	84.173A	12,742
ESEA, Title X, Part C - ESC Capacity Building Grant	84.196A	5,741
Career and Technical - Basic Grant	84.048A	2,898
SSA Career and Technical	84.048A	4,295
GEAR UP	84.334S	16,077
Title III, Part A - English Language Acquisition	84.365A	22,009
ESEA, Title II, Part A - Supporting Effective Instr.	84.367A	3,924
Title IV, Part A - Basic Services Grant	84.424A	5,526
Title IV, Part A - ESC Mental Behavioral Health	84.424A	4,327
COVID-19 - ESSER I- Technical Assistance	84.425D	668
COVID-19 - ESSER II- Technical Assistance	84.425D	30,519
COVID-19 - ESSER III	84.425U	46,017
COVID-19 -ARP Homeless I	84.425W	3,360
COVID-19 - ARP Homeless II	84.425W	2,235
COVID-19 -ARP Homeless I - Technology	84.425W	1,978
ESSA - Basic Services Grant	84.999	1,048
COVID-19 - Public Health Workforce	93.354	25,072
Head Start and Early Head Start	93.600	2,711,540
Medicaid Admin. Claim - MAC	93.778	20,739
Child and Adult Care Food Program	10.558	192,355
ESC Child Nutrition	10.560	19,881
		<u>19,881</u>
Total General Fund federal revenue per Exhibit C-3		<u>\$ 3,359,136</u>

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED AUGUST 31, 2023

4. MATCHING

The Center reported \$21,110,073 in-kind matching to the U.S. Department of Health and Human Services for the Head Start program, grant year 2023 (July 1, 2022 to June 30, 2023). Additionally, the Center reported \$27,319 matching funds for the Career and Technical Administration Grant and \$251,294 in matching funds for the Texas GEAR UP Grant for Districts.

5. PROGRAM INCOME

The Head Start program generated program income in the amount of \$52,618 for the year ended August 31, 2023.

The Early Childhood Intervention program is funded with federal funds under Assistance Listing Numbers 84.027, 84.181, 93.434, and 93.558 and with state funds. It also reported \$4,998,685 of Locally Collected Funds.

6. RECONCILIATION

Total state revenue presented in the Schedule of Expenditures of State Awards (SESA) can be reconciled to exhibit C-3 as follows:

Expenditures of State Awards per SESA	1,267,235
TEA funding not subject to State Single Audit	<u>4,268,163</u>
Total State revenue per Exhibit C-3	<u><u>\$ 5,535,398</u></u>

SCHOOLS FIRST QUESTIONNAIRE

Region 19 Education Service Center

Fiscal Year 2023

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	0