

REGION ONE EDUCATION SERVICE CENTER

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

REGION ONE EDUCATION SERVICE CENTER
TABLE OF CONTENTS
AUGUST 31, 2025

TABLE OF CONTENTS

	EXHIBIT	PAGE
INTRODUCTORY SECTION		
Certificate of Board	-	v
FINANCIAL SECTION		
Independent Auditor's Report	-	1
Management's Discussion and Analysis	-	5
Basic Financial Statements		
<i>Government-wide Statements:</i>		
Statement of Net Position	A-1	13
Statement of Activities	B-1	17
<i>Governmental Fund Financial Statements:</i>		
Balance Sheet	C-1	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	C-2	19
Statement of Revenues, Expenditures, and Changes in Fund Balance	C-3	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	C-4	21
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Position	D-1	22
Statement of Revenues, Expenses, and Changes in Net Position	D-2	23
Statement of Cash Flows	D-3	24
<i>Fiduciary Fund Financial Statements:</i>		
Statement of Fiduciary Net Position	E-1	25
Statement of Changes in Fiduciary Net Position	E-2	26
Notes to the Financial Statements	-	27
Required Supplementary Information		
Schedule of Revenues, Expenditures, and Changes to Fund Balance Budget to Actual - General Fund	G-1	61
Schedule of the Center's Proportionate Share of the Net Pension Liability	G-2	62
Schedule of the Center's Pension Contributions to the Teacher Retirement System	G-3	64
Schedule of the Center's Proportionate Share of the Net OPEB Liability	G-4	66
Schedule of the Center's OPEB Contributions – Teacher Retirement System	G-5	68
Notes to the Required Supplementary Information	-	70

REGION ONE EDUCATION SERVICE CENTER
TABLE OF CONTENTS - CONTINUED
AUGUST 31, 2025

TABLE OF CONTENTS - CONTINUED

Supplementary Information

Combining Balance Sheet - Non-Major Governmental Funds	H-1	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	H-2	80
Combining Statement of Net Position - Internal Service Funds	-	87
Combining Statement of Revenues, Expenses, and Changes in Net Position - Internal Service Funds	-	88
Combining Statement of Cash Flows - Internal Service Funds	-	89

SINGLE AUDIT SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	-	93
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	-	95
Schedule of Findings and Questioned Costs	-	99
Schedule of Expenditures of Federal Awards	K-1	102
Notes on Accounting Policies for Federal Awards	-	107
Schedule of Status or Prior Year Audit Findings	-	108

INTRODUCTORY SECTION

(This page intentionally left blank)

CERTIFICATE OF BOARD

Region One Education Service Center
Name of Service Center

Hidalgo
County

108-950
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial and compliance reports of the above-named center were reviewed and (check one) approved disapproved for the fiscal year ended August 31, 2025 at a meeting of the Board of Directions of such service on the 20th day of January, 2026.

Alicia E. Pequeve
Signature of Board Secretary

[Signature]
Signature of Board President

(This page intentionally left blank)

FINANCIAL SECTION

(This page intentionally left blank)

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Region One Education Service Center

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Region One Education Service Center (Center), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Center as of August 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

Change in Accounting Principle

As described in Note III, P to the financial statements, in 2025, the Center adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 and budgetary comparison information, pension information and other postemployment benefits information on pages 61 through 70 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2026, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Burton, McCumber, & Longoria LLP". The signature is written in a cursive style with a large, prominent initial 'B'.

McAllen, Texas
January 14, 2026

(This page intentionally left blank)

REGION ONE EDUCATION SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Region One Education Service Center's annual financial report presents our discussion and analysis of the Center's financial performance during the fiscal year ended August 31, 2025. Please read it in conjunction with the Center's financial statements, which follow this section.

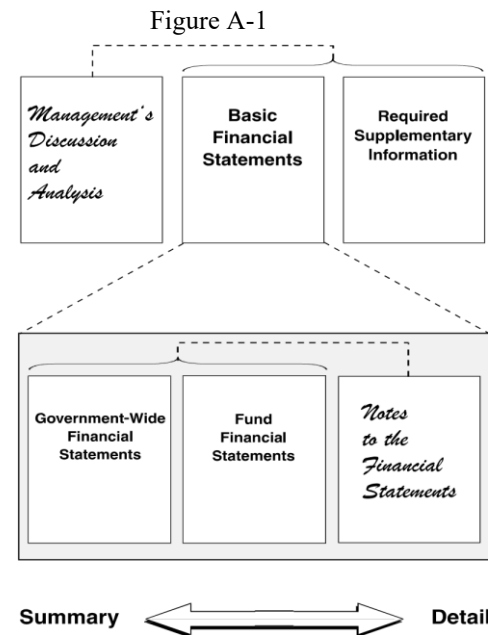
FINANCIAL HIGHLIGHTS

- The Center's total combined net position was \$4,275,835 as of August 31, 2025, which is a decrease of \$7,346,513, net of restatements, or 63.21% as compared to August 31, 2024.
- During the year, the Center's expenses were \$5,317,357 more than the \$87,34,637 generated in local charges and other revenues for governmental activities.
- The general fund reported an excess of expenditures over revenues this year of \$5,827,564. There were transfers from the general fund to the proprietary funds in the amount of \$1,571,331. The net decrease to the general fund was \$7,047,828 with an ending balance of \$17,788,364.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



REGION ONE EDUCATION SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

Government-Wide Financial Statements

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

The two government-wide statements report the Center's net position and how they have changed. net position, the difference between the Center's assets, deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the Center's financial health or position. Over time, increases or decreases in the Center's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

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

Fund Financial Statements

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

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

REGION ONE EDUCATION SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Center has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE CENTER AS A WHOLE

Net Position

The Center’s net position decreased to \$4,275,835 between the fiscal years 2024 and 2025 (See Table A-1).

**Table A-1
Net Position Summary**

	Governmental Activities	
	2025	2024
Current and Other Assets	\$ 26,228,826	\$ 33,521,449
Capital Assets	24,100,325	22,141,965
Total Assets	50,329,151	55,663,414
Deferred Outflows	18,096,353	15,924,798
Other Liabilities	6,219,305	5,751,440
Long-term Liabilities	41,031,811	34,288,456
Total Liabilities	47,251,116	40,039,896
Deferred Inflows	16,898,553	19,925,968
Net Investment in Capital Assets	19,121,428	16,486,552
Restricted	3,265,674	2,155,525
Unrestricted	(18,111,267)	(7,019,729)
Total Net Position	\$ 4,275,835	\$ 11,622,348

Unrestricted net position had an \$18.1 million deficit at the end of this year as a result of the liabilities, deferred inflow and deferred outflows associated with GASB Statement No. 68 (pensions), GASB Statement No 75 (Other Post Employment Benefit Plans), and the implementation of GASB Statement No. 101 (compensated absences). This deficit increased 158.01% compared to the prior year.

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

Changes in Net Position

The Center's total revenues increased by 7.05% to \$87,342,637. A significant portion, 53.23%, of the Center's revenue comes from operating grants, while 43.68% relates to charges for services.

The total cost of all programs and services increased by 11.12% to \$92,659,994. Instruction, Curriculum and Instructional Staff Development, and Instructional Leadership represents 45.25% of these costs.

Governmental Activities

- Charges for services increased by 14.14% from \$33,422,806 to \$38,147,751 that is attributable to new initiatives.
- Revenues increased by 7.05% from \$81,589,144 to \$87,342,637 and expenses increased 11.12% from \$83,386,170 to \$92,659,994. The Center received new grants such as Choosing College Changing Lives Grant, TIA Specialized Hubs Grant, and TCR/OER Adoption Grant. The Center also saw funding changes in GEAR UP Funds, ESSER Funded Grants, Project LIFT, Legacy and Legends, BLOOM, RGV Operation Youth Career Link, and ECI. The Center also saw an increase in the Technology External, Curriculum Collaborative, Instructional Leadership Support, Center in Educator Excellence and the Bilingual Consortium.
- Operating grants and contributions represent federal and state funds restricted for a specific program. The Center's operating grants, which include federal and state funds, increased by \$991,645 as compared to last year.

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

	2025	2024
Program Revenues:		
Charges for Services	\$ 38,147,751	\$ 33,422,806
Operating Grants and Contributions	46,490,625	45,498,980
General Revenues:		
State Aid and Other Grants and Contributions	2,020,922	1,547,736
Investment Earnings	683,339	1,116,622
Miscellaneous Local Intermediate	-	3,000
Total Revenues	<u>87,342,637</u>	<u>81,589,144</u>
Program Expenses:		
Instruction	14,334,921	18,173,693
Instructional Resources and Media Services	1,862,781	1,313,817
Curriculum and Instructional Staff Development	14,845,409	19,685,710
Instructional Leadership	12,745,781	6,436,700
School Leadership	471,254	996,774
Guidance, Counseling and Evaluation Services	3,877,744	1,235,005
Social Work Services	269,721	-
Health Services	7,391,616	1,024,782
Student (Pupil) Transportation	-	166
General Administration	7,251,327	5,523,319
Facilities Maintenance and Operations	5,354,054	5,597,380
Security and Monitoring Services	152,304	105,798
Data Processing Services	5,701,044	4,817,059
Community Services	1,871,529	594,418
School District Administrative Support (ESC)	10,064,621	8,806,657
Debt Service	170,625	132,658
Payments Related to SSA	6,295,263	8,942,234
Total Expenses	<u>92,659,994</u>	<u>83,386,170</u>
Increase (Decrease) in Net Position	(5,317,357)	(1,797,026)
Beginning Net Position	11,622,348	13,419,374
Restatements	(2,029,156)	-
Ending Net Position	<u>\$ 4,275,835</u>	<u>\$ 11,622,348</u>

REGION ONE EDUCATION SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

- The cost of all *governmental* activities increased by 16.40% this year ending at \$92,659,994. Some of the cost was paid by those who directly benefited from the programs \$38,147,751 or by grants and contributions totaling \$46,490,625.

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

	Total Cost of Services		Net (Expenses) Revenues	
	2025	2024	2025	2024
Instruction	\$ 14,334,921	\$ 18,173,693	\$ (1,452,774)	\$ 2,865,371
Curriculum and Instructional Staff Development	14,845,409	19,685,710	(2,564,048)	(1,701,123)
Payments Related to Shared Services Arrangements	6,295,263	8,942,234	(6,159)	(23,007)
School District Administrative Support (ESC)	10,064,621	8,806,657	(1,936,947)	(888,756)

FINANCIAL ANALYSIS OF THE CENTER'S FUNDS

Revenues from governmental fund types totaled \$89,979,541, an increase of 8.68% over the preceding year. The increase is attributable to new initiatives and other state mandates. Federal revenues increased by 1.05% while state revenues increased by 22.83%. Total expenditures increased by \$11,124,836 or 13.13% as compared to the prior year.

General Fund Budgetary Highlights

Over the course of the year, the Center revised and the Board of Directors approved the budget on a monthly basis. Actual expenditures were \$5,193,173 below final budget amounts. Some local programs expended less than appropriations. On the other hand, resources available were \$7,755,497 under the final budgeted amount.

CAPITAL ASSETS

At August 31, 2025, the Center had invested \$24,100,325 in capital assets, including land, construction in progress, buildings and improvements, furniture and equipment and intangible right-to-use lease and subscription based IT arrangement assets (See Table A-4.) This amount represents an increase of \$1,959,056 or 8.85% compared to the prior year. The increase was attributed primarily to construction in progress related to HVAC improvements .

Table A-4
Capital Assets

	Governmental Activities	
	2025	2024
Land	\$ 212,653	\$ 212,653
Construction in progress	3,398,552	579,753
Buildings and Improvements	38,019,253	37,548,359
Furniture and Equipment	2,980,218	2,960,322
Right-to-use Assets - Leases	488,306	593,029
Right-to-use Assets - SBITA	586,662	235,595
Total Assets at Historical Cost	45,685,644	42,129,711
Accumulated Depreciation	(21,585,319)	(19,988,442)
Net Capital Assets	<u>\$ 24,100,325</u>	<u>\$ 22,141,269</u>

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

REGION ONE EDUCATION SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Texas Education Agency appropriated the same amount of state base funds and approximately the same federal funds to the Center for 2025-2026.

These indicators were taken into account when adopting the general fund budget for 2026. Amounts available for appropriation in the general fund budget are \$54,940,206 an increase of 5.05% over the final 2025 budget of \$52,300,060. The original budget for 2025-26 represents conservative figures.

Expenditures are budgeted to decrease by 1.12% to \$54,940,206 as compared to the final expenditure budget for 2025. The increase is also due to budgeting conservative amounts for new initiatives. If these estimates are realized, the Center's budgetary general fund balance is not expected to change by the close of 2026.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank)

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF NET POSITION
AUGUST 31, 2025

Data Control Codes	<u>Primary Government</u> Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 4,708,855
1120 Current Investments	6,912,533
1240 Receivables from Other Governments	14,084,800
1240 Due from Pension Trust Fund	4,198
1290 Other Receivables	330,345
1300 Inventories	154,801
1410 Prepaid Items	33,294
Capital Assets Not Subject to Depreciation:	
1510 Land	212,653
1580 Construction in Progress	3,398,552
Capital Assets Net of Depreciation:	
1520 Buildings, Net	19,626,760
1530 Furniture and Equipment, Net	437,854
1553 Right-to-use Assets - SBITA, Net	131,521
1559 Right-to-use Assets - Leases, Net	292,985
1000 Total Assets	<u>50,329,151</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to Pension Activities	6,766,588
1706 Deferred Outflow Related to Other Post-Employment Benefit Activities	11,329,765
1700 Total Deferred Outflows of Resources	<u>18,096,353</u>
LIABILITIES	
2110 Accounts Payable	2,479,393
2120 Other Liabilities - Current	206,573
2150 Payroll Deductions and Withholdings Payable	823,936
2160 Accrued Wages Payable	589,767
2180 Due to Other Governments	62,733
2300 Unearned Revenue	2,056,903
Noncurrent Liabilities:	
2501 Due Within One Year	1,749,626
2502 Due in More than One Year	6,070,255
2540 Net Pension Liability (Center's Share)	18,951,903
2545 Net Other Post-Retirement Benefit Liability (Center's Share)	14,260,027
2000 Total Liabilities	<u>47,251,116</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to Pension Activities	1,829,706
2606 Deferred Inflow Related to Other Post-Employment Benefit Activities	15,068,847
2600 Total Deferred Inflows of Resources	<u>16,898,553</u>
NET POSITION	
3200 Net Investment in Capital Assets	19,121,428
3820 Federal or State Grant Restriction	1,545,776
3890 Other Restricted Fund Balance	1,719,898
3900 Unrestricted Net Position	(18,111,267)
3000 Total Net Position	<u>\$ 4,275,835</u>

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

(This page intentionally left blank)

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

Data Control Codes	1	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
Primary Government				
GOVERNMENTAL ACTIVITIES:				
11	\$ 14,334,921	\$ 6,080,939	\$ 6,801,208	\$ (1,452,774)
12	1,862,781	965,635	354,110	(543,036)
13	14,845,409	6,248,768	6,032,593	(2,564,048)
21	12,745,781	3,145,588	8,860,411	(739,782)
23	471,254	6,113	468,458	3,317
31	3,877,744	940,624	3,436,239	499,119
32	269,721	172,829	58,074	(38,818)
33	7,391,616	4,574,704	7,065,649	4,248,737
41	7,251,327	4,452,520	114,926	(2,683,881)
51	5,354,054	2,827,280	971,609	(1,555,165)
52	152,304	54,543	2,645	(95,116)
53	5,701,044	3,162,821	1,156,380	(1,381,843)
61	1,871,529	667,644	876,224	(327,661)
62	10,064,621	4,124,679	4,002,995	(1,936,947)
72	170,625	723,064	-	552,439
93	6,295,263	-	6,289,104	(6,159)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 92,659,994</u>	<u>\$ 38,147,751</u>	<u>\$ 46,490,625</u>	<u>\$ (8,021,618)</u>
Data Control Codes	General Revenues:			
SF	State Aid - Formula Grants			970,650
GC	Grants and Contributions Not Restricted			1,050,272
IE	Investment Earnings			683,339
TR	Total General Revenues			<u>2,704,261</u>
CN	Change in Net Position			(5,317,357)
NB	Net Position - Beginning			11,622,348
	Restatements			(2,029,156)
NE	Net Position - Ending			<u>\$ 4,275,835</u>

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

REGION ONE EDUCATION SERVICE CENTER
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes		10 General Fund	274 GEAR UP	Other Funds	Total Governmental Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ 3,711,700	\$ 6,071	\$ 991,084	\$ 4,708,855
1120	Current Investments	6,912,533	-	-	6,912,533
1240	Receivables from Other Governments	6,365,413	3,206,686	3,922,303	13,494,402
1290	Other Receivables	189,864	5,059	135,173	330,096
1260	Due from Other Funds	3,903,967	155	1,365,500	5,269,622
1410	Prepaid Items	29,092	903	3,299	33,294
1000	Total Assets	<u>\$ 21,112,569</u>	<u>\$ 3,218,874</u>	<u>\$ 6,417,359</u>	<u>\$ 30,748,802</u>
LIABILITIES					
2110	Accounts Payable	\$ 551,213	\$ 1,425,225	\$ 340,689	\$ 2,317,127
2120	Other Liabilities - Current	206,573	-	-	206,573
2150	Payroll Deductions and Withholdings Payable	823,936	-	-	823,936
2160	Accrued Wages Payable	521,002	105	15,660	536,767
2170	Due to Other Funds	8,855	1,793,544	3,440,541	5,242,940
2180	Due to Other Governments	61,872	-	862	62,734
2300	Unearned Revenue	1,150,754	-	892,446	2,043,200
2000	Total Liabilities	<u>3,324,205</u>	<u>3,218,874</u>	<u>4,690,198</u>	<u>11,233,277</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3430	Prepaid Items	29,092	-	-	29,092
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restrictions	-	-	1,655,332	1,655,332
3490	Other Restricted Fund Balance	1,719,898	-	-	1,719,898
3500	Assigned for Program Services	4,339,433	-	71,829	4,411,262
3600	Unassigned Fund Balance	11,699,941	-	-	11,699,941
3000	Total Fund Balances	<u>17,788,364</u>	<u>-</u>	<u>1,727,161</u>	<u>19,515,525</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 21,112,569</u>	<u>\$ 3,218,874</u>	<u>\$ 6,417,359</u>	<u>\$ 30,748,802</u>

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

REGION ONE EDUCATION SERVICE CENTER
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2025

	Total Fund Balances - Governmental Funds	\$ 19,515,525
1	The assets and liabilities of the Center's internal service funds are consolidated into the statement of net position. The effect is an increase to net position.	695,630
2	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, results in an increase in net position.	23,565,438
3	Long-term liabilities including loan payable, SBITA and lease liabilities, and compensated absences are not due and payable in the current period and are not reported as liabilities in the funds.	(7,486,628)
4	Included in items related to debt is the recognition of the Center's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included deferred resources outflow in the amount of \$6,766,588, a deferred resources inflow in the amount of \$1,829,706, and a net pension liability in the amount of \$18,951,903. This resulted in a decrease in net position.	(14,015,021)
5	Included in items related to debt is the recognition of the Center's proportionate share of the net other post-employment benefits (OPEB) liability required by GASB 75. The net position related to TRS included deferred resources outflow in the amount of \$11,329,765, a deferred resources inflow in the amount of \$15,068,847, and a net OPEB liability in the amount of \$14,260,027. This resulted in a decrease in net position.	(17,999,109)
6	Net Position of Governmental Activities	<u><u>\$ 4,275,835</u></u>

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

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

Data Control Codes	10 General Fund	274 GEAR UP	Other Funds	Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 36,396,070	\$ -	\$ 2,419,928	\$ 38,815,998
5800 State Program Revenues	5,398,683	-	7,484,850	12,883,533
5900 Federal Program Revenues	2,749,810	14,189,316	21,340,884	38,280,010
5020 Total Revenues	<u>44,544,563</u>	<u>14,189,316</u>	<u>31,245,662</u>	<u>89,979,541</u>
EXPENDITURES:				
Current:				
11 Instruction	8,850,015	2,494,205	3,730,136	15,074,356
12 Instructional Resources and Media Services	1,503,565	-	346,632	1,850,197
13 Curriculum and Instructional Staff Development	9,700,764	922,060	4,962,433	15,585,257
21 Instructional Leadership	4,638,063	4,402,171	4,353,031	13,393,265
23 School Leadership	9,799	-	468,339	478,138
31 Guidance, Counseling and Evaluation Services	507,305	110,521	3,423,817	4,041,643
32 Social Work Services	227,363	-	58,074	285,437
33 Health Services	761,003	-	7,021,958	7,782,961
41 General Administration	6,551,233	-	2,579	6,553,812
51 Facilities Maintenance and Operations	1,703,484	146,537	795,971	2,645,992
52 Security and Monitoring Services	12,431	-	-	12,431
53 Data Processing Services	4,900,825	88,131	787,774	5,776,730
61 Community Services	1,007,099	161,062	717,623	1,885,784
62 School District Administrative Support Services	5,777,513	-	4,217,354	9,994,867
Debt Service:				
71 Principal on Long-Term Debt	904,193	-	-	904,193
72 Interest on Long-Term Debt	146,886	-	-	146,886
Capital Outlay:				
81 Facilities Acquisition and Construction	3,164,427	-	-	3,164,427
Intergovernmental:				
93 Payment to Fiscal Agent of SSA	6,159	5,864,629	424,475	6,295,263
6030 Total Expenditures	<u>50,372,127</u>	<u>14,189,316</u>	<u>31,310,196</u>	<u>95,871,639</u>
1100 Excess (Deficiency) of Revenues Over Expenditures	<u>(5,827,564)</u>	<u>-</u>	<u>(64,534)</u>	<u>(5,892,098)</u>
OTHER FINANCING SOURCES (USES):				
7913 Proceeds From Right-to-use Leased Assets	351,067	-	-	351,067
8911 Transfers out	(1,571,331)	-	-	(1,571,331)
7080 Total Other Financing Sources (Uses)	<u>(1,220,264)</u>	<u>-</u>	<u>-</u>	<u>(1,220,264)</u>
1200 Net Change in Fund Balances	(7,047,828)	-	(64,534)	(7,112,362)
0100 Fund Balance - (Beginning)	24,707,332	-	1,791,695	26,499,027
Restatement	128,860	-	-	128,860
3000 Fund Balance - (Ending)	<u>\$ 17,788,364</u>	<u>\$ -</u>	<u>\$ 1,727,161</u>	<u>\$ 19,515,525</u>

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

REGION ONE EDUCATION SERVICE CENTER
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

	Total Net Change in Fund Balances - Governmental Funds	\$ (7,112,362)
1	The Center uses internal service funds to charge the costs to appropriate functions in other funds. The net income (loss) of the internal service fund is reported with governmental activities.	\$ (783,039)
2	Capital outlays are reported in the governmental funds as expenditures. In the statement of activities, the cost of the assets, \$3,294,982, is allocated over their useful lives as depreciation expense which totaled \$1,556,225 for the year.	\$ 1,738,767
3	Principal repayment of long-term debt is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. During the year principal payments totaling \$665,097 and \$239,096 were made on the loan and SBITA liabilities, respectively.	\$ 904,193
4	Expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. The following represents the net change in compensated absences for the year.	\$ (684,999)
5	GASB 68 requires that certain plan expenditures be de-expended and recorded as deferred resources outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,925,289. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net pension liability. This caused a decrease in net position totaling \$(1,749,276). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$(1,270,017). The net results is a decrease in the change in net position.	\$ (1,094,004)
6	GASB 75 requires that certain plan expenditures be de-expended and recorded as deferred resources outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$471,359. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net OPEB liability. This caused a decrease in net position totaling \$(422,183). Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense (de-expense) increased the change in net position by \$1,664,911. The net results is an increase in the change in net position.	\$ 1,714,087
7	Change in Net Position of Governmental Activities	<u><u>\$ (5,317,357)</u></u>

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

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2025

		Governmental Activities
		Total Internal Service Funds
ASSETS		
Current Assets:		
1240	Due from Other Governments	\$ 590,399
1260	Due from Other Funds	446
1291	Other Receivables	250
1300	Inventories	154,801
	Total Current Assets	<u>745,896</u>
Non-current Assets		
Capital Assets		
1520	Buildings and Buildings Improvements	85,813
1530	Furniture and Equipment	1,128,579
1559	Right-to-use SBITA	488,306
1570	Accumulated Depreciation	<u>(1,167,819)</u>
	Total Non-current Assets	<u>534,879</u>
	Total Assets	<u>1,280,775</u>
LIABILITIES		
Current Liabilities:		
2110	Accounts Payable	162,255
2160	Accrued Wages Payable	53,000
2170	Due to Other Funds	22,934
2300	Unearned Revenue	13,703
	Total Current Liabilities	<u>251,892</u>
Non-current Liabilities:		
Due Within One Year		
2130	Right-to-use Lease Liability	97,851
Due In More Than One Year		
2531	Right-to-use Lease Liability	235,402
	Total Non-current Liabilities	<u>333,253</u>
	Total Liabilities	<u>585,145</u>
NET POSITION		
3200	Net Investment in Capital Assets	178,557
3900	Unrestricted Net Position	<u>517,073</u>
	Total Net Position	<u>\$ 695,630</u>

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

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

	Governmental Activities
	Total
	Internal
	Service Funds
OPERATING REVENUES:	
Interfund Services	\$ 5,076,337
Local and Intermediate Sources	14,514
Total Operating Revenue	5,090,851
OPERATING EXPENSES:	
Curriculum and Staff Development	47,343
Instructional Leadership	1,322
General Administration	1,041,648
Facilities Maintenance and Operations	4,148,808
Security and Monitoring Services	146,851
Data Processing Services	1,533,569
School District Administrative Support Services	544,918
Total Operating Expenses	7,464,459
Operating Income (Loss)	(2,373,608)
NONOPERATING REVENUES (EXPENSES):	
Interest on Long-Term Liabilities	(23,739)
Total Nonoperating Revenues (Expenses)	(23,739)
Operating Income (Loss) Before Transfers	(2,397,347)
TRANSFERS:	
Transfers In	1,571,331
Change in Net Position	(826,016)
Total Net Position - Beginning, as previously reported	6,635,198
Restatement	(5,113,552)
Total Net Position - Beginning, restated	1,521,646
Total Net Position - Ending	\$ 695,630

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

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

	Governmental Activities
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 5,096,228
Cash Payments to Employees for Services	(4,071,077)
Cash Payments for Contracted Services	(1,116,663)
Cash Payments for Suppliers	(763,558)
Cash Payments for Other Operating Expenses	(610,952)
Net Cash Used In Operating Activities	(1,466,022)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers from Other Funds	1,571,330
Net Cash Provided by Noncapital Financing Activities	1,571,330
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Purchases of Capital Assets	(15,926)
Principal Payments on Long-term Debt	(123,390)
Interest Paid on Long-term Debt	(23,739)
Net Cash Used by Capital and Related Financing Activities	(163,055)
Net Decrease in Cash and Cash Equivalents	(57,747)
Cash and Cash Equivalents at Beginning of Year	57,747
Cash and Cash Equivalents at End of Year	\$ -
<u>Reconciliation of Operating Income to Net Cash Used In Operating Activities:</u>	
Operating Income (Loss):	\$ (2,373,610)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:	
Depreciation expense	188,354
Effects of Increases and Decreases in Current Assets and Liabilities:	
(Increase) Decrease in Due from Other Governments	(8,328)
(Increase) Decrease in Due from Other Funds	230,818
(Increase) Decrease in Inventories	27,019
(Increase) Decrease in Prepaid Items	432,626
Increase (Decrease) in Accounts Payables	(30,043)
Increase (Decrease) in Accrued Wages Payable	30,560
Increase (Decrease) in Unearned Revenue	13,703
Increase (Decrease) in Due to Other Funds	22,879
Net Cash Used In Operating Activities	\$ (1,466,022)

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

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2025

	Private Purpose Trust Funds
ASSETS	
Cash and Cash Equivalents	\$ 122,018
Receivables	17,633
Total Assets	139,651
LIABILITIES	
Accounts Payable	5,183
Due to Activity Funds	134,468
Total Liabilities	139,651
NET POSITION	
Unrestricted Net Position	-
Total Net Position	\$ -

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

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2025

	Private Purpose Trust Funds
ADDITIONS:	
Gifts and Bequest	\$ 2,450
Local Revenue Services Other Districts	108,468
	110,918
Total Additions	110,918
DEDUCTIONS	
Community Services	10,188
School District Administrative Support Services	100,730
	110,918
Total Deductions	110,918
Change in Net Position	-
Total Net Position - Beginning	-
Total Net Position - Ending	\$ -

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

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

D. BASIS OF PRESENTATION – FUND ACCOUNTING

The Center reports the following major governmental funds:

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

Additionally, the Center reports the following fund types:

Governmental Funds:

1. **Special Revenue Funds** - are used to account for resources restricted to specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. **Capital Projects Fund** – is used to account for expenditures of resources accumulated from loan and interest earnings for the acquisition and construction of facilities.

Proprietary Funds:

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

Fiduciary Funds:

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

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the Center considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Inventories of supplies on the balance sheet are stated at weighted average cost and they include consumable maintenance, instructional and office items. Supplies are recorded as expenditures when they are consumed.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The Center follows GASB 87 for reporting leases and GASB 96 for SBITAs. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease or SBITA, the lease or SBITA must meet the definition of a "long-term" lease provided in GASB 87 and GASB 96, respectively and must meet the capitalization level set by the Board. The right-to-use lease and SBITA liabilities are reported in the government-wide statements and in proprietary fund statements. The lease and SBITA liabilities are calculated as the present value of the reasonably certain expected payments to be made over the term of the lease or contract and the interest included in the payment is recorded as an expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. With GASB 87 and 96, the initial measure of a new right-to-use lease arrangement is reported in governmental fund types as other financing sources during the current period. Monthly payments are reported as principal and interest payments during the reporting period in the fund level statements.

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

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

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

If the lease and SBITA are in a governmental fund, the full amount of the lease asset will be reported as an expenditure in the fund level statements the year the agreement is made. The recording of the lease and SBITA assets and liabilities would not be reported in governmental fund statements but would be reported in the government-wide statements.

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

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

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

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

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

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

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

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

11. The Center is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year, the Center purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.
12. Indirect expenses are charged upon a service center-wide cost allocation plan, which allocates these costs based upon the number of full time equivalents.
13. Sometimes the Center will fund outlays for a particular purpose from both restricted and unrestricted (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Center's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.
14. Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide Statement of Net Position.
15. Pensions - The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
16. Other Post-Employment Benefits - The fiduciary net position of the TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

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

1. Prior to August 20th, the Center prepares a budget for the next succeeding fiscal year beginning September 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. Public notice of the meeting must be given at least ten days prior to the meeting.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. During the year, the budget was amended, as necessary.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function or object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse on August 31st, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended August 31, 2025, general fund expenditures exceeded appropriations for the following functions:

Fund Name	Function	Function Name	Amount of Expenditures Over Appropriations
General Fund	23	Instructional Leadership	\$ (1,308)
General Fund	71	Debt Service	(147,079)

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

NOTE III – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The funds of the Center must be deposited and invested under the terms of contracts with the corresponding depository bank, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the Center's agent bank in an amount sufficient to protect the Center funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At August 31, 2025, the carrying value of the Center's deposits was \$4,830,873 while the bank balance was \$5,217,868. The Center's cash deposits at August 31, 2025 were entirely covered by FDIC insurance and pledged securities held by the Center's agent in the name of the Center.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Center to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"). Chapter 2256 of the Texas Government Code, in addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

For the year ended August 31, 2025, the Center invested in Texas Cooperative Liquid Assets Securities System ("Texas CLASS"), Lone Star Investment Pool ("Lone Star") and Texas Local Government Investment Pool ("TexPool").

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

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

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

A. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

The Center’s investments, other than those which are obligations of or guaranteed by the U.S. government, are rated as to credit quality. At August 31, 2025, the Center’s investment balances are stated at fair value and weighted average maturity of these investments were as follows:

<u>Current Investments</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Percentage</u>
Texas CLASS	AAAm	\$ 2,492,969	82	36%
TexPool	AAAm	1,942,565	42	28%
Lone Star Investment Pool	AAAm	2,476,999	26	36%
		<u>\$ 6,912,533</u>		

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

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

A. DEPOSITS AND INVESTMENTS (Continued)

The following is a reconciliation of the Center’s total cash and investments as of August 31, 2025:

	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents (Deposits)	\$ 4,708,855	\$ 122,018	\$ 4,830,873
Current Investments	6,912,533	-	6,912,533
Total	<u>\$ 11,621,388</u>	<u>\$ 122,018</u>	<u>\$ 11,743,406</u>

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

Custodial Credit Risk for Investments – For investments, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Center’s investments in the external investment pool are not exposed to custodial credit risk. External investment pools are not subject to custodial credit risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. As of August 31, 2025, the Center’s investments met this requirement.

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

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

Concentration Risk – This is the risk of loss attributed to the magnitude of a government’s investment in a single user. The Center’s investment policy allows for the Center’s investment portfolio to be composed of 100% of public funds investment pools operated by or on behalf of any local entities in Texas subject to the Public Funds Investment Act so long as the fund’s investments meet the overall maturity and diversity limitation as set forth in the policy. At August 31, 2025, Texas CLASS, TexPool and Lone Star made up 36%, 28% and 36%, respectively.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

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

A. DEPOSITS AND INVESTMENTS (Continued)

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

B. DUE FROM OTHER GOVERNMENTS

The Center participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. Amounts due from federal and state governments as of August 31, 2025, are summarized below. Some federal grants shown below are passed through the Texas Education Agency and are reported on the financial statements as due from other governments.

Fund	State Funding	Federal Grants	Other Governments	Total
General Fund	\$ 124,175	\$ -	\$ 6,241,238	\$ 6,365,413
GEAR UP	-	3,206,686	-	3,206,686
Other Funds	1,720,999	811,834	1,389,470	3,922,303
Internal Service Fund	-	-	590,399	590,399
	<u>\$ 1,845,174</u>	<u>\$ 4,018,520</u>	<u>\$ 8,221,107</u>	<u>\$ 14,084,801</u>

C. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of August 31, 2025 is as follows:

Receivable Fund:	Total	Payable Fund:	Total
General Fund	\$ 529,090	Gear Up Fund	\$ 529,090
General Fund	3,347,749	Nonmajor Special Revenue Funds	3,347,749
General Fund	22,935	Internal Service Fund	22,935
General Fund	4,193	Pension Trust Fund	4,193
Gear Up Fund	155	General Fund	155
Nonmajor Special Revenue Funds	8,254	General Fund	8,254
Nonmajor Special Revenue Funds	1,264,454	Gear Up Fund	1,264,454
Nonmajor Special Revenue Funds	92,792	Nonmajor Special Revenue Funds	92,792
Internal Service Fund	446	General Fund	446
Total Due From Other Funds	<u>\$ 5,270,068</u>	Total Due To Other Funds	<u>\$ 5,270,068</u>

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

The general fund had transfers out to other funds totaling \$1,571,331. These consisted of transfers to the print shop fund for \$740,233, computer operations fund for \$246,898 and internal service fund for \$584,200.

D. OTHER RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

As of August 31, 2025, the Center reevaluated the allowance for uncollectible accounts in the General Fund for outstanding accounts receivable balances. The Center's accounts receivable balance within the general fund consists of \$190,114 with no allowance at year end.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

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

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the fiscal year ended August 31, 2025 was as follows:

	Beginning Balance 09/01/24	Increases	(Retirements) and Transfers	Ending Balance 08/31/25
Governmental activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 212,653	\$ -	\$ -	\$ 212,653
Construction in Progress	579,753	3,289,694	(470,895)	3,398,552
Total Capital Assets, Not Being Depreciated	<u>792,406</u>	<u>3,289,694</u>	<u>(470,895)</u>	<u>3,611,205</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	37,548,359	-	470,894	38,019,253
Furniture and Equipment	2,960,322	19,896	-	2,980,218
Right-to-use Assets				
Leases - Furniture and Equipment	593,029	-	(104,723)	488,306
SBITA	235,595	351,067	-	586,662
Total Capital Assets, Being Depreciated	<u>41,337,305</u>	<u>370,963</u>	<u>366,171</u>	<u>42,074,439</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(17,158,864)	(1,233,629)	-	(18,392,493)
Furniture and Equipment	(2,437,544)	(104,820)	-	(2,542,364)
Leases - Furniture and Equipment	(182,022)	(118,023)	104,724	(195,321)
SBITA	(210,012)	(245,129)	-	(455,141)
Total Accumulated Depreciation	<u>(19,988,442)</u>	<u>(1,701,601)</u>	<u>104,724</u>	<u>(21,585,319)</u>
Total Capital Assets, Being Depreciated, Net	<u>21,348,863</u>	<u>(1,330,638)</u>	<u>470,895</u>	<u>20,489,120</u>
Total Capital Assets, Net	<u>\$ 22,141,269</u>	<u>\$ 1,959,056</u>	<u>\$ -</u>	<u>\$ 24,100,325</u>

Depreciation expense was charged to governmental functions as follows:

11 Instruction	\$ 39,193
12 Instructional Resources and Media Services	50,106
13 Curriculum and Staff Development	160,970
21 Instructional Leadership	30,356
34 Student Transportation	166
41 General Administration	403,260
51 Plant, Maintenance and Operations	713,235
53 Data Processing Services	81,457
61 Community Services	92,081
62 School Center Administrative Support (ESC)	<u>130,777</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,701,601</u>

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

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

F. LONG-TERM OBLIGATIONS

Long-term obligations include loan payable, leases liability and SBITA liability. Changes in long-term obligations for the year ended August 31, 2025 are as follows:

<u>Governmental Activities</u>	Interest Rate Payable	Amounts Outstanding 08/31/24	Issued Current Year	Retired Current Year	Amounts Outstanding 08/31/25	Amounts Due in One Year
Loan Payable - Building Expansion	2.96%	\$ 5,170,314	\$ -	\$ (665,097)	\$ 4,505,217	\$ 685,298
Leases Liability	5.00% - 8.50%	457,969	-	(124,716)	333,253	97,851
SBITA Liability	1.71% - 3.24%	28,456	351,067	(239,096)	140,427	140,427
Compensated Absences	N/A	2,155,993	684,991		2,840,984	826,050
Net Pension Liability	N/A	19,474,817	-	(522,914)	18,951,903	-
Net OPEB Liability	N/A	9,158,226	5,101,801	-	14,260,027	-
Total governmental activities		<u>\$ 36,445,775</u>	<u>\$ 6,137,859</u>	<u>\$ (1,551,823)</u>	<u>\$ 41,031,811</u>	<u>\$ 1,749,626</u>

Loan Payable

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

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

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2026	\$ 685,298	\$ 125,954	\$ 811,252
2027	706,167	105,084	811,251
2028	727,443	83,808	811,251
2029	749,826	61,426	811,252
2030	772,661	38,591	811,252
2031-2032	863,822	15,234	879,056
	<u>\$ 4,505,217</u>	<u>\$ 430,097</u>	<u>\$ 4,935,314</u>

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

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

F. LONG-TERM OBLIGATIONS (Continued)

Leases Liability

The Center has entered into agreements to lease equipment and a building which have been accounted for in accordance with GASB Statement No. 87, *Leases*. The Center is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied in the lease which ranges from 5.00% to 8.50%.

The future principal and interest lease payments for governmental activities as of August 31, 2025 are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2026	\$ 97,851	\$ 21,778	\$ 119,629
2027	97,851	21,708	119,559
2028	97,731	21,631	119,362
2029	39,820	8,838	48,658
	<u>\$ 333,253</u>	<u>\$ 73,955</u>	<u>\$ 407,208</u>

Subscription Based Information Technology Arrangements (SBITA)

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

The future principal and interest SBITA payments for governmental activities as of August 31, 2025, follow:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2026	\$ 140,427	\$ -	\$ 140,427
	<u>\$ 140,427</u>	<u>\$ -</u>	<u>\$ 140,427</u>

G. LITIGATION

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

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

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

H. COMMITMENTS AND CONTINGENCIES

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

I. PROPERTY INSURANCE AND PERSONNEL BONDS

The Center carries insurance on the building in the amount of \$50,551,953. Contents and valuable papers and records to “Direct Physical loss, replacement cost Business Personal Property” in the amount of \$11,890,907. Vehicles are insured at actual cash value and each vehicle carries property damage and medical liability insurance as required by state law. All employees are bonded for \$1,000,000 each under blanket coverage. Premiums, although covering periods extending into subsequent years, are recorded as expenditures at the time of purchase.

J. DEFINED PENSION PLAN

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detail 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/learning-resources/publications>; by writing to TRS at attention Finance Division, PO Box 149676, Austin, Texas 78714-0185, or by calling 1-800-223-8778.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

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

J. DEFINED PENSION PLAN (Continued)

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living-adjustment (COLA).

One-Time Stipends

Stipends, regardless of annuity amount, were paid in September 2023 to annuitants who met the qualifying age requirement on or before August 31, 2023:

- A one-time \$7,500 stipend to eligible annuitants who are 75 years of age or older.
- A one-time \$2,400 stipend to eligible annuitants age 70 to 74.

Cost-of-Living Adjustment

A COLA was dependent on Texas voters approving a constitutional amendment (Proposition 9) to authorize the COLA. Voters approved the amendment in the November 2023 election and the following COLA was applied to eligible annuitants' payments beginning with their January 2024 payment:

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020.
- 4% COLA for eligible retirees who retired between September 1, 2001 through August 31, 2013.
- 6% OLA for eligible retirees who retired on or before August 31, 2001.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2025

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

J. DEFINED PENSION PLAN (Continued)

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6 percent of the member’s annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 thru 2025.

	Contribution Rates	
	Plan Fiscal Year	
	2024	2025
Member (Employee)	8.25%	8.25%
Non-employer contributing agency (State)	8.25%	8.25%
Employers (Center)	8.25%	8.25%
Current fiscal year employer contributions		\$ 1,925,289
Current fiscal year member contributions		\$ 3,811,720
NECE on-behalf contributions		\$ 2,284,744

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

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

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

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2025

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

J. DEFINED PENSION PLAN (Continued)

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

- All public schools, charter schools, and regional education service centers must contribute 1.90% of the member's salary beginning in fiscal year 2024, gradually increasing to 2.00% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2024	3.87% - The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Projected salary increases	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions please see the actuarial valuation report dated November 21, 2023.

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.54% of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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

J. DEFINED PENSION PLAN (Continued)

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System’s target asset allocation as of August 31, 2024 are summarized below:

Asset Class	Target Allocation** %	Long-Term Expected Arithmetic Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.40%	1.00%
Non-U. S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Absolute Return*	0.00%	4.00%	0.00%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Real Return:			
Real Estate	15.00%	6.60%	1.20%
Energy, natural resources & infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity			
Risk Parity	8.00%	4.00%	0.40%
Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation expectation			2.40%
Volatility Drag****			-0.70%
Total	100.0%		7.90%

* Absolute return includes credit sensitive investments.

** Target allocations are based on the FY2024 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of 12/31/2023)

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

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2025

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

J. DEFINED PENSION PLAN (Continued)

Discount Rate Sensitivity Analysis

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

	1% Decrease (6.00%)	Current Single Discount Rate (7.00%)	1% Increase (8.00%)
Center's proportional share of the net pension liability	\$30,270,991	\$18,951,903	\$9,573,233

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

At August 31 2024, the Center reported a liability of \$18,951,903 for its proportionate share of the TRS’s net pension liability. This liability reflects a reduction for State pension support provided to the Center. The amount recognized by the Center as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Center were as follows:

Center's proportionate share of the net pension liability	\$ 18,951,903
State's proportionate share of the net pension liability associated with the Center	24,765,385
Total	\$ 43,717,288

The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net pension liability was based on the employer’s contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

At August 31, 2024, the employer’s proportion of the collective net pension liability was 0.0310258792%, which was an increase of 0.0026742748% from its proportion measured as of August 31, 2023.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

The actuarial assumptions and methods are the same as used in the determination of the prior year’s net pension liability.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2025

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

J. DEFINED PENSION PLAN (Continued)

The 2023 Texas Legislature passed Senate Bill 10 (SB 10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of \$1.645 billion for one-time stipends and \$3.355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

For the year ended August 31, 2025, the Center recognized pension expense of \$5,979,170 and revenue of \$2,959,877 for support provided by the State.

On August 31, 2025, the Center reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 1,044,603	\$ 147,967
Changes in actuarial assumptions	978,527	131,187
Differences between projected and actual investment earnings	115,202	-
Changes in proportion and differences between Center contributions and proportionate share of contributions	2,702,967	1,550,552
Contributions paid to TRS subsequent to the measurement date	1,925,289	-
Total	<u>\$ 6,766,588</u>	<u>\$ 1,829,706</u>

The Center recognized \$1,925,289 as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2025. The other amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31,	Amount
2026	\$ 401,450
2027	2,278,406
2028	497,524
2029	(389,067)
2030	223,280
	<u>\$ 3,011,593</u>

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2025

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

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

The Center participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined other post-employment benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care’s fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at P.O. Box 78714-0185; or by calling (800) 223-8778.

Benefits Provided

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

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

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

TRS-Care Monthly Premium Rates

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

**or surviving spouse*

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2025

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

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (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 participating employers are 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% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65% of salary. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee’s pay for fiscal year 2024. The following table shows contributions to the TRS-Care plan by type of contributor.

	2024	2025
Member (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%
Employer contributions (Center)		\$ 471,359
Member (Employee)		\$ 300,315
2024 measurement year NECE on-behalf contributions		\$ 534,735

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

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the total OPEB liability to August 31, 2024. The actuarial valuation was determined using the following actuarial assumptions:

- Demographic assumptions – The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of the Teacher Retirement System of Texas (TRS). The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2025

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

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

- Election rates – Normal retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65: 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
- Health Care Trend Rates – The initial medical trend rates were 6.75% for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 11 years.

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 updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

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

The active mortality rates were based on PUB (2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with two years set forth for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death"
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	2.95% to 8.95%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2025

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

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

Discount Rate

A single discount rate of 3.87% was used to measure the total OPEB liability. This was a decrease of 0.26% in the discount rate since the previous year.

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

The source of the municipal bond rate is the Bond Buyer’s “20-Bond GO Index” as of August 31, 2024, using the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discounted rate used was 1% less than and 1% greater than the discount rate that was used (3.87%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate 2.87%	Current Single Discount Rate 3.87%	1% Increase in Discount Rate 4.87%
Center's proportionate share of the net OPEB liability	\$16,941,578	\$14,260,027	\$12,093,293

Healthcare Trend Rate 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	Current Healthcare Cost Trend Rate	1% Increase
Center's proportionate share of the net OPEB liability	\$11,612,675	\$14,260,027	\$17,709,790

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2025

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

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

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

At August 31, 2025, the Center reported a liability of \$14,260,027 for its proportionate share of the TRS’s net OPEB liability. This liability reflects a reduction for State OPEB support provided to the Center. The amount recognized by the Center as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Center were as follows.:

Center's proportionate share of the net OPEB liability	\$ 14,260,027
State's proportionate share of the net OPEB liability associated with the Center	<u>17,867,620</u>
Total	<u><u>\$ 32,127,647</u></u>

The net OPEB liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net OPEB liability was based on the employer’s contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

On August 31, 2024, the employer’s proportion of the collective net OPEB liability was 0.0469828892% which was an increase of 0.0056146532% from its proportion measured as of August 31, 2023.

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

- The single discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.
- The tables used to model the impact of aging on the underlying claims were revised.

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

For the year ended August 31, 2024, the Center recognized OPEB expense of \$(3,565,189) and revenue of \$(2,322,461) for support provided by the State.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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

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

On August 31, 2025, the Center reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,733,168	\$ 7,116,526
Changes in actuarial assumptions	1,825,115	4,652,882
Differences between projected and actual investment earnings	-	39,933
Changes in proportion and differences between Center contributions and the proportionate share of contributions	6,300,123	3,259,506
Contributions paid to TRS subsequent to the measurement date	471,359	-
Total	\$ 11,329,765	\$ 15,068,847

The Center recognized \$471,359 as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2025. The other amounts of employer’s balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Year Ended August 31,	OPEB Expense Amount
2026	\$ (1,609,319)
2027	(963,465)
2028	(1,262,515)
2029	(983,108)
2030	(507,391)
Thereafter	1,115,357
	\$ (4,210,441)

L. HEALTH CARE COVERAGE-ACTIVE EMPLOYEES

Plan Description

During the year ended August 31, 2025, employees of the Center were covered by a health insurance plan (the “Plan”). The Center paid premiums of \$618 per month per full-time employee, \$305 per month for part-time employee, respectively, to the Plan and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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

L. HEALTH CARE COVERAGE-ACTIVE EMPLOYEES (Continued)

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

Medicare Part D

Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. As a result, this provision allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset pharmacy claims paid by TRS-Care on behalf of plan participants. These on-behalf payments of \$295,035, \$212,214, and \$177,196 were recognized for the years ended August 31, 2025, 2024, and 2023, respectively, as equal revenues and expenditures.

M. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

N. RELATED PARTY TRANSACTIONS

The Executive Director is the board president of an educational organization. The Center provides services to this organization such as finance, grant writing, facilities, workshops, marketing, sub-hub and printshop services. For the fiscal year ended August 31, 2025, the Center billed the educational organization \$63,416 for services provided.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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

O. SHARED SERVICE AGREEMENTS

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

County	District	Member Districts	Effective	Strengthening	Title III Part A	Title III Part A
			Advising CTE	CTE	ELA - Immigrant	ELA
			Fund			
			331	331	350	350
	108810	Brillante Academy	\$ -	\$ -	\$ -	\$ 12,399
	024901	Brooks County ISD	-	-	-	3,160
	108902	Donna ISD	21,441	-	-	-
	108809	Excellence in Leadership Academy	-	-	-	783
	108905	Hidalgo ISD	-	-	-	-
	124901	Jim Hogg ISD	-	-	-	6,194
	108912	La Joya ISD	-	-	-	-
	108914	La Villa ISD	-	16,229	-	9,983
	245901	Lasara ISD	-	6,297	-	6,035
	245902	Lyford ISD	-	-	-	-
	108907	Mercedes ISD	21,441	-	-	-
	108915	Monte Alto ISD	-	-	-	-
	108909	Pharr-San Juan-Alamo ISD	-	-	-	-
	214903	Roma ISD	-	-	-	-
	214902	San Isidro ISD	-	3,601	-	2,795
	245904	San Perlita ISD	-	4,006	-	2,069
	031913	Santa Maria ISD	-	11,597	-	-
	031914	Santa Rosa ISD	-	16,663	-	18,307
	031916	South Texas ISD	-	-	-	-
	071803	Triumph - El Paso	-	-	-	8,747
	240801	Triumph - Laredo	-	-	-	15,138
	108804	Triumph - Rio Grande Valley	-	-	-	17,188
	152803	Triumph - Lubbock	-	-	-	713
	108916	Valley View ISD	-	-	-	-
	108808	Vanguard Academy	-	-	5,696	-
	240904	Webb Consoliated ISD	-	4,613	-	2,069
	108913	Weslaco ISD	-	-	-	-
			\$ 42,882	\$ 63,006	\$ 5,696	\$ 105,580

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2025

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

O. SHARED SERVICE AGREEMENTS (Continued)

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

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

	Type	Fund			Total
		437	313	314	
		11	11	11	
<u>Fiscal Agent</u>	<u>CDN</u>				
Region One Education Service Center	108950	\$ 175,414	\$ -	\$ -	\$ 175,414
<u>Member Districts</u>					
Lasara ISD	245901	74,914	53,742	293	128,949
Monte Alto ISD	108915	90,219	120,336	656	211,211
San Perlita ISD	245904	26,217	38,555	210	64,982
San Isidro ISD	245902	29,532	28,038	153	57,723
Total Member District Expenditures		<u>220,882</u>	<u>240,671</u>	<u>1,312</u>	<u>462,865</u>
Total SSA Expenditures		<u>\$ 396,296</u>	<u>\$ 240,671</u>	<u>\$ 1,312</u>	<u>\$ 638,279</u>

P. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

The following GASB pronouncements were applicable and effective during fiscal year 2025.

The Center adopted GASB Statement No. 101, *Compensated Absences*. The objective of GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in 2025.

The Center adopted GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2025 and assessed to not have an impact to the financial statements.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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

Q. RESTATEMENTS OF BEGINNING BALANCES

Beginning balances were restated as follows:

	Total Governmental Funds	Governmental Activities	Internal Service Funds
Beginning net position, as previously reported	\$ 26,499,027	\$ 11,622,348	\$ 6,635,198
To correct capital assets that were incorrectly reported in internal service funds that should have been included in governmental activities. Because internal service funds are included in the governmental activities, this had no effect on the net position as previously reported in the governmental activities.	-	-	(10,325,518)
To correct loan and lease liabilities that were incorrectly reported in the governmental activities and should be in the internal service funds. Because internal service funds are included in the governmental activities, this had no effect on the net position as previously reported in the governmental activities.	-	-	5,170,314
To correct balances related to capital assets.		2,023	(1,325)
To correct accumulated depreciation.	-	-	42,977
To correct 2023-2024 summary of finance near settle-up payment that was not previously recognized.	128,860	(128,860)	-
Implementation of GASB Statement No. 101, Compensated Absences.	-	2,155,993	-
Beginning net position, as restated	<u>\$ 26,627,887</u>	<u>\$ 13,651,504</u>	<u>\$ 1,521,646</u>

R. SUBSEQUENT EVENTS

The Center has evaluated subsequent events through January 14, 2026, which is the date these financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY
INFORMATION**

(This page intentionally left blank)

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

Data Control Codes	Budgeted Amounts		Actual	Variance With	
	Original	Final	Amounts (GAAP Basis)	Final Budget Positive or (Negative)	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 37,750,899	\$ 41,914,219	\$ 36,396,070	\$ (5,518,149)
5800	State Program Revenues	4,643,832	6,565,870	5,398,683	(1,167,187)
5900	Federal Program Revenues	3,819,971	3,819,971	2,749,810	(1,070,161)
5020	Total Revenues	<u>46,214,702</u>	<u>52,300,060</u>	<u>44,544,563</u>	<u>(7,755,497)</u>
EXPENDITURES:					
Current:					
11	Instruction	11,692,830	10,556,898	8,850,015	1,706,883
12	Instructional Resources and Media Services	1,342,157	1,560,739	1,503,565	57,174
13	Curriculum and Instructional Staff Development	8,758,460	10,303,171	9,700,764	602,407
21	Instructional Leadership	4,422,012	5,095,664	4,638,063	457,601
23	School Leadership	1,289	8,491	9,799	(1,308)
31	Guidance, Counseling and Evaluation Services	336,905	534,171	507,305	26,866
32	Social Work Services	-	335,251	227,363	107,888
33	Health Services	12,860	880,675	761,003	119,672
41	General Administration	6,462,821	6,958,557	6,551,233	407,324
51	Facilities Maintenance and Operations	1,784,520	2,200,304	1,703,484	496,820
52	Security and Monitoring Services	10,000	20,873	12,431	8,442
53	Data Processing Services	4,360,226	5,065,268	4,900,825	164,443
61	Community Services	704,284	1,181,281	1,007,099	174,182
62	School District Administrative and Support Service	6,322,338	6,589,088	5,777,513	811,575
Debt Service:					
71	Debt Service	4,000	904,000	1,051,079	(147,079)
Capital Outlay:					
81	Facilities Acquisition and Construction	-	3,349,710	3,164,427	185,283
93	Payment to Fiscal Agent of SSA	-	21,159	6,159	15,000
6030	Total Expenditures	<u>46,214,702</u>	<u>55,565,300</u>	<u>50,372,127</u>	<u>5,193,173</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,265,240)	(5,827,564)	(2,562,324)
OTHER FINANCING SOURCES (USES):					
7913	Proceeds From Right-to-use Leased Assets	-	-	351,067	351,067
8911	Transfers out	-	-	(1,571,331)	(1,571,331)
7080	Total Other Financing Sources (Uses)	-	-	(1,220,264)	(1,220,264)
1200	Net Change in Fund Balances	-	(3,265,240)	(7,047,828)	(3,782,588)
0100	Fund Balance - (Beginning)	24,707,332	24,707,332	24,707,332	-
	Restatements	-	-	128,860	128,860
3000	Fund Balance - (Ending)	<u>\$ 24,707,332</u>	<u>\$ 21,442,092</u>	<u>\$ 17,788,364</u>	<u>\$ (3,653,728)</u>

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Center's Proportion of the Net Pension Liability (Asset)	0.0310258792%	0.0283516044%	0.0311308345%
Center's Proportionate Share of Net Pension Liability (Asset)	\$ 18,951,903	\$ 19,474,817	\$ 18,481,576
States Proportionate Share of the Net Pension Liability (Asset) Associated with the Center	<u>24,765,385</u>	<u>23,137,182</u>	<u>14,359,429</u>
Total	<u>\$ 43,717,288</u>	<u>\$ 42,611,999</u>	<u>\$ 32,841,005</u>
Center's Covered Payroll	\$ 38,606,102	\$ 31,538,683	\$ 27,095,109
Center's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	49.09%	61.75%	68.21%
Plan Fiduciary Net Position as a % of Total Pension Liability	77.51%	73.15%	75.62%

EXHIBIT G-2

2021	2020	2019	2018	2017	2016	2015
0.0241777507%	0.0284171895%	0.0270860673%	0.0273298053%	0.0259707919%	0.0245953645%	0.0254251000%
\$ 6,157,217	\$ 15,219,667	\$ 14,080,185	\$ 15,042,988	\$ 8,304,060	\$ 9,294,223	\$ 8,987,434
<u>5,757,426</u>	<u>14,863,334</u>	<u>15,634,106</u>	<u>18,014,742</u>	<u>10,117,370</u>	<u>11,407,472</u>	<u>9,336,464</u>
<u>\$ 11,914,643</u>	<u>\$ 30,083,001</u>	<u>\$ 29,714,291</u>	<u>\$ 33,057,730</u>	<u>\$ 18,421,430</u>	<u>\$ 20,701,695</u>	<u>\$ 18,323,898</u>
\$ 22,532,195	\$ 30,083,001	\$ 29,714,291	\$ 33,057,730	\$ 18,421,430	\$ 20,701,695	\$ 18,323,898
27.33%	50.59%	47.39%	45.51%	45.08%	44.90%	49.05%
88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contractually Required Contribution	\$ 1,925,289	\$ 1,749,276	\$ 1,431,776	\$ 1,440,335
Contribution in Relation to Contractually Required Contribution	<u>(1,925,289)</u>	<u>(1,749,276)</u>	<u>(1,431,776)</u>	<u>(1,440,335)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center's Covered Payroll	\$ 46,202,581	\$ 38,606,102	\$ 31,538,683	\$ 37,003,448
Contributions as a % of Covered Payroll	4.17%	4.53%	4.54%	3.89%

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 1,025,783	\$ 1,164,197	\$ 941,542	\$ 938,478	\$ 851,178	\$ 781,457
<u>(1,025,783)</u>	<u>(1,164,197)</u>	<u>(941,542)</u>	<u>(938,478)</u>	<u>(851,178)</u>	<u>(781,457)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 22,532,195	\$ 25,786,574	\$ 24,463,793	\$ 24,571,186	\$ 22,556,245	\$ 20,618,432
4.55%	4.51%	3.85%	3.82%	3.77%	3.79%

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Center's Proportion of the Net OPEB Liability (Asset)	0.046982889%	0.041368236%	0.044136489%
Center's Proportionate Share of the Net OPEB Liability (Asset)	\$ 14,260,027	\$ 9,158,226	\$ 10,568,043
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the Center	<u>17,867,620</u>	<u>11,050,808</u>	<u>12,891,352</u>
Total	<u>\$ 32,127,647</u>	<u>\$ 20,209,034</u>	<u>\$ 23,459,395</u>
Center's Covered Payroll	\$ 38,606,102	\$ 31,538,683	\$ 27,095,109
Center's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	36.94%	29.04%	39.00%
Plan Fiduciary Net Position as a % of Total OPEB Liability	13.70%	14.94%	11.52%

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

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
0.036344361%	0.042276640%	0.040770121%	0.040684660%	0.039181105%
\$ 14,019,644	\$ 16,071,260	\$ 19,280,688	\$ 20,314,223	\$ 17,038,393
<u>18,783,199</u>	<u>21,595,921</u>	<u>25,619,724</u>	<u>15,721,741</u>	<u>13,398,780</u>
<u>\$ 32,802,843</u>	<u>\$ 37,667,181</u>	<u>\$ 44,900,412</u>	<u>\$ 36,035,964</u>	<u>\$ 30,437,173</u>
\$ 37,003,488	\$ 22,532,195	\$ 25,786,574	\$ 36,035,964	\$ 30,437,173
37.89%	71.33%	74.77%	56.37%	55.98%
6.18%	4.99%	2.66%	1.57%	0.91%

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

	2025	2024	2023
Contractually Required Contribution	\$ 471,359	\$ 422,183	\$ 356,709
Contribution in Relation to Contractually Required Contribution	(471,359)	(422,183)	(356,709)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Center's Covered Payroll	\$ 46,202,581	\$ 38,606,102	\$ 31,538,683
Contributions as a % of Covered Payroll	1.02%	1.09%	1.13%

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

<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 368,496	\$ 278,298	\$ 314,010	\$ 281,740	\$ 282,885
<u>(368,496)</u>	<u>(278,298)</u>	<u>(314,010)</u>	<u>(281,740)</u>	<u>(282,885)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 37,003,488	\$ 22,532,195	\$ 25,786,574	\$ 24,463,793	\$ 24,931,186
1.00%	1.24%	1.22%	1.15%	1.13%

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

Budgetary Information

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

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

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

SUPPLEMENTARY INFORMATION

REGION ONE EDUCATION SERVICE CENTER
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2025

Data Control Codes	206	211	212	220
	ESEA Title III	ESEA TIA Improving Basic Programs	ESEA Title I, Migrant	Adult Ed Program
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 4,804
1240 Receivables from Other Governments	30,939	303,981	133,854	550,326
1260 Due from Other Funds	-	544	-	-
1290 Other Receivables	101	632	898	186
1410 Prepaid items	-	-	-	-
1000 Total Assets	<u>\$ 31,040</u>	<u>\$ 305,157</u>	<u>\$ 134,752</u>	<u>\$ 555,316</u>
LIABILITIES				
2110 Accounts Payable	\$ 36	\$ 763	\$ 4,699	\$ 158,889
2160 Accrued Wages Payable	-	-	-	13,474
2170 Due to Other Funds	31,004	304,394	130,053	382,953
2180 Due to Other Governments	-	-	-	-
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>31,040</u>	<u>305,157</u>	<u>134,752</u>	<u>555,316</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restrictions	-	-	-	-
3500 Assigned for Construction	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 31,040</u>	<u>\$ 305,157</u>	<u>\$ 134,752</u>	<u>\$ 555,316</u>

EXHIBIT H-1
(Continued)

225	226	241	244	255	263	278	280
IDEA Part B Preschool	IDEA Part B Discretionary	ESC Child Nutrition	C&T - Basic Grant	ESEA II,A Training & Recruitment	Title III, A English Lang. Acquisition	ESSER (ARP) Homeless Children	ESEA, Title X, Part C
\$ -	\$ -	\$ 2,402	\$ -	\$ -	\$ -	\$ -	\$ -
33,322	560,197	140,412	21,831	30,598	9,545	-	-
-	812	-	-	-	-	-	-
140	1,467	12	64	263	20	-	-
-	2,799	-	-	-	-	-	-
<u>\$ 33,462</u>	<u>\$ 565,275</u>	<u>\$ 142,826</u>	<u>\$ 21,895</u>	<u>\$ 30,861</u>	<u>\$ 9,565</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 26,893	\$ 2,720	\$ 690	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
33,462	538,382	3,100	21,205	30,861	9,565	-	-
-	-	-	-	-	-	-	-
-	-	137,006	-	-	-	-	-
<u>33,462</u>	<u>565,275</u>	<u>142,826</u>	<u>21,895</u>	<u>30,861</u>	<u>9,565</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 33,462</u>	<u>\$ 565,275</u>	<u>\$ 142,826</u>	<u>\$ 21,895</u>	<u>\$ 30,861</u>	<u>\$ 9,565</u>	<u>\$ -</u>	<u>\$ -</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2025

		281	282	288	289
Data Control Codes		ESSER II CRRSA Act Supplemental	ESSER III ARP Act	Other Federal Funds	Other Federal SRF
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 989	\$ -	\$ -
1240	Receivables from Other Governments	-	25,715	557,521	328,610
1260	Due from Other Funds	-	-	63	3,038
1290	Other Receivables	-	641	1,653	1,228
1410	Prepaid items	-	-	400	100
1000	Total Assets	<u>\$ -</u>	<u>\$ 27,345</u>	<u>\$ 559,637</u>	<u>\$ 332,976</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 284	\$ 47,703	\$ 34,790
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	43	511,866	298,119
2180	Due to Other Governments	-	-	68	67
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>327</u>	<u>559,637</u>	<u>332,976</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restrictions	-	27,018	-	-
3500	Assigned for Construction	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>27,018</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ -</u>	<u>\$ 27,345</u>	<u>\$ 559,637</u>	<u>\$ 332,976</u>

EXHIBIT H-1
(Continued)

313	314	331	350	367	385	405	410
Shared Service Arrangements - IDEA Part B, Formula	Shared Service Arrangements - IDEA Part B, Preschool	Texas Reading First	SSA ESEA III, A English Lang. Acquisition	APR Homeless II	Visually Impaired SSVI	ESC Gifted and Talented	State Ins. Material
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21,197	-	23,756	22,939	-	24,673	861	-
-	-	-	-	-	-	-	-
189	-	7	6	-	40	-	-
-	-	-	-	-	-	-	-
\$ 21,386	\$ -	\$ 23,763	\$ 22,945	\$ -	\$ 24,713	\$ 861	\$ -
\$ 2,675	\$ -	\$ -	\$ 4,109	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
18,711	-	23,763	18,836	-	24,713	861	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
21,386	-	23,763	22,945	-	24,713	861	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 21,386	\$ -	\$ 23,763	\$ 22,945	\$ -	\$ 24,713	\$ 861	\$ -

REGION ONE EDUCATION SERVICE CENTER
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2025

Data Control Codes	414	429	437	482
	Texas Reading / Texas Math and Science Initiative	Other State SRF	Shared Services Arrangements - Special Education	Financial Literacy
ASSETS				
1110	Cash and Cash Equivalents	\$ 12	\$ -	\$ 1,032
1240	Receivables from Other Governments	-	368,987	-
1260	Due from Other Funds	-	2,895	16
1290	Other Receivables	98	827	3,703
1410	Prepaid items	-	-	-
1000	Total Assets	<u>\$ 110</u>	<u>\$ 372,709</u>	<u>\$ 4,751</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ 909	\$ 578
2160	Accrued Wages Payable	-	626	-
2170	Due to Other Funds	-	370,557	217
2180	Due to Other Governments	110	617	-
2300	Unearned Revenue	-	-	3,500
2000	Total Liabilities	<u>110</u>	<u>372,709</u>	<u>4,295</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restrictions	-	-	456
3500	Assigned for Construction	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>456</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 110</u>	<u>\$ 372,709</u>	<u>\$ 4,751</u>

EXHIBIT H-1
(Continued)

483	485	487	490	491	497	498	499
T-STEAM Training	School Safety	ECI State	Chapter 41	STAAR One Item Bank	Intruder Detection Audits	Locally Funded Special Revenue Funds - Locally Defined	Other Local SRF
\$ 161,933	\$ 4,632	\$ -	\$ 170,000	\$ 219,302	\$ 46,975	\$ 307,174	\$ -
-	300	494,785	-	4,868	35,500	54,600	105,120
-	-	93,013	-	-	-	276,694	988,425
-	-	1,040	-	-	63	121,852	43
-	-	-	-	-	-	-	-
<u>\$ 161,933</u>	<u>\$ 4,932</u>	<u>\$ 588,838</u>	<u>\$ 170,000</u>	<u>\$ 224,170</u>	<u>\$ 82,538</u>	<u>\$ 760,320</u>	<u>\$ 1,093,588</u>
\$ -	\$ -	\$ 30,410	\$ -	\$ -	\$ -	\$ 4,740	\$ 11,971
-	-	1,272	-	-	-	288	-
-	-	540,788	-	-	-	6,352	110,700
-	-	-	-	-	-	-	-
-	-	-	-	-	-	748,940	3,000
-	-	572,470	-	-	-	760,320	125,671
161,933	4,932	16,368	170,000	224,170	82,538	-	967,917
-	-	-	-	-	-	-	-
<u>161,933</u>	<u>4,932</u>	<u>16,368</u>	<u>170,000</u>	<u>224,170</u>	<u>82,538</u>	<u>-</u>	<u>967,917</u>
<u>\$ 161,933</u>	<u>\$ 4,932</u>	<u>\$ 588,838</u>	<u>\$ 170,000</u>	<u>\$ 224,170</u>	<u>\$ 82,538</u>	<u>\$ 760,320</u>	<u>\$ 1,093,588</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2025

EXHIBIT H-1
 Concluded)

698

Data Control Codes		Capital Projects	Total Other Funds
ASSETS			
1110	Cash and Cash Equivalents	\$ 71,829	\$ 991,084
1240	Receivables from Other Governments	-	3,922,303
1260	Due from Other Funds	-	1,365,500
1290	Other Receivables	-	135,173
1410	Prepaid items	-	3,299
1000	Total Assets	<u>\$ 71,829</u>	<u>\$ 6,417,359</u>
LIABILITIES			
2110	Accounts Payable	\$ -	\$ 340,689
2160	Accrued Wages Payable	-	15,660
2170	Due to Other Funds	-	3,440,541
2180	Due to Other Governments	-	862
2300	Unearned Revenue	-	892,446
2000	Total Liabilities	<u>-</u>	<u>4,690,198</u>
FUND BALANCES			
Restricted Fund Balance:			
3450	Federal or State Funds Grant Restrictions	-	1,655,332
3500	Assigned for Construction	71,829	71,829
3000	Total Fund Balances	<u>71,829</u>	<u>1,727,161</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 71,829</u>	<u>\$ 6,417,359</u>

(This page intentionally left blank)

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

Data Control Codes	206	211	212	220
ESEA Title III	ESEA TIA Improving Basic Programs	ESEA T-1C Migratory Children	Adult Ed Program	
REVENUES:				
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	248,021
5900 Federal Program Revenues	178,609	1,585,116	1,549,657	2,548,277
5020 Total Revenues	<u>178,609</u>	<u>1,585,116</u>	<u>1,549,657</u>	<u>2,796,298</u>
EXPENDITURES:				
Current:				
11 Instruction	-	-	18,000	1,602,176
12 Instructional Resources and Media Services	-	-	-	-
13 Curriculum and Instructional Staff Development	-	120,734	159,643	7,233
21 Instructional Leadership	-	195,532	317,433	554,182
23 School Leadership	-	-	-	468,339
31 Guidance, Counseling and Evaluation Services	-	-	-	-
32 Social Work Services	-	-	-	-
33 Health Services	-	-	-	-
41 General Administration	-	-	-	-
51 Facilities Maintenance and Operations	1,714	30,619	85,638	108,750
53 Data Processing Services	2,225	22,576	110,266	55,618
61 Community Services	142,437	-	26,427	-
62 School District Administrative Support Services	32,233	1,215,655	832,250	-
Intergovernmental:				
93 Payment to Fiscal Agent of SSA	-	-	-	-
6030 Total Expenditures	<u>178,609</u>	<u>1,585,116</u>	<u>1,549,657</u>	<u>2,796,298</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - (Beginning)	-	-	-	-
3000 Fund Balance - (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT H-2
(Continued)

225	226	241	244	255	263	278	280
IDEA Part B Preschool	IDEA Part B Discretionary	ESC Child Nutrition	C&T - Basic Grant	ESEA II,A Training & Recruitment	Title III, A English Lang. Acquisition	ESSER (ARP) Homeless Children	ESEA, Title X, Part C
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
239,412	1,274,427	570,970	103,223	345,172	105,240	12,244	128,033
239,412	1,274,427	570,970	103,223	345,172	105,240	12,244	128,033
-	179,672	-	-	-	-	-	-
-	-	-	-	-	-	-	-
231,292	438,780	-	34,223	76,161	-	-	-
-	379,356	-	59,186	-	105,240	-	-
-	-	-	-	-	-	-	-
-	94,516	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,670	69,579	29,063	6,871	1,119	-	-	-
2,450	55,824	12,840	2,943	3,032	-	-	-
-	-	-	-	-	-	-	-
-	-	529,067	-	264,860	-	12,244	128,033
-	56,700	-	-	-	-	-	-
239,412	1,274,427	570,970	103,223	345,172	105,240	12,244	128,033
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES– NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

Data Control Codes	281	282	288	289
	ESSER II CRRSA Act Supplemental	ESSER III ARP Act	Other Federal Funds	Other Federal SRF
REVENUES:				
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	-	329,484	4,650,611	1,649,311
5020 Total Revenues	-	329,484	4,650,611	1,649,311
EXPENDITURES:				
Current:				
11 Instruction	-	-	343,361	64,476
12 Instructional Resources and Media Services	-	-	346,632	-
13 Curriculum and Instructional Staff Development	-	145,374	1,154,132	137,560
21 Instructional Leadership	-	71,593	478,190	301,704
23 School Leadership	-	-	-	-
31 Guidance, Counseling and Evaluation Services	-	-	1,888,357	565,872
32 Social Work Services	-	-	-	-
33 Health Services	-	-	-	-
41 General Administration	-	-	-	-
51 Facilities Maintenance and Operations	-	2,783	78,395	22,839
53 Data Processing Services	-	3,817	70,472	28,190
61 Community Services	-	-	-	371,164
62 School District Administrative Support Services	-	78,899	70,680	113,582
Intergovernmental:				
93 Payment to Fiscal Agent of SSA	-	-	220,392	43,924
6030 Total Expenditures	-	302,466	4,650,611	1,649,311
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	27,018	-	-
1200 Net Change in Fund Balances	-	27,018	-	-
0100 Fund Balance - (Beginning)	-	-	-	-
3000 Fund Balance - (Ending)	\$ -	\$ 27,018	\$ -	\$ -

EXHIBIT H-2
(Continued)

313	314	331	350	367	385	405	410
Shared Service Arrangements - IDEA Part B, Formula	Shared Service Arrangements - IDEA Part B, Preschool	Texas Reading First	SSA ESEA III, A English Lang. Acquisition	APR Homeless II	Visually Impaired SSVI	ESC Gifted and Talented	State Ins. Material
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	295,957	9,875	8,820
215,475	1,175	130,844	106,391	-	-	-	-
215,475	1,175	130,844	106,391	-	295,957	9,875	8,820
153,256	-	27,905	5,650	-	291,745	-	-
-	-	-	-	-	-	-	-
29,345	1,175	32,100	29,927	-	-	340	-
-	-	40,839	55,923	-	-	9,535	8,820
-	-	-	-	-	-	-	-
20,251	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,429	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	4,212	-	-
-	-	-	-	-	-	-	-
-	-	-	8,100	-	-	-	-
10,194	-	-	-	-	-	-	-
-	-	30,000	6,791	-	-	-	-
215,475	1,175	130,844	106,391	-	295,957	9,875	8,820
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES– NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

Data Control Codes	414	429	437	482
	Texas Reading / Texas Math and Science Initiative	Other State SRF	Shared Services Arrangements - Special Education	Financial Literacy
REVENUES:				
5700 Local and Intermediate Sources	\$ -	\$ -	\$ 354,967	\$ 13,822
5800 State Program Revenues	107,822	3,713,439	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>107,822</u>	<u>3,713,439</u>	<u>354,967</u>	<u>13,822</u>
EXPENDITURES:				
Current:				
11 Instruction	-	-	165,509	1,842
12 Instructional Resources and Media Services	-	-	-	-
13 Curriculum and Instructional Staff Development	103,965	1,942,148	1,608	36,730
21 Instructional Leadership	2,794	1,240,755	-	2,265
23 School Leadership	-	-	-	-
31 Guidance, Counseling and Evaluation Services	-	-	7,680	-
32 Social Work Services	-	-	-	-
33 Health Services	-	-	92	-
41 General Administration	-	-	1,248	-
51 Facilities Maintenance and Operations	23	83,921	11,334	-
53 Data Processing Services	1,040	31,175	17,881	225
61 Community Services	-	25,190	-	14,337
62 School District Administrative Support Services	-	390,250	149,615	-
Intergovernmental:				
93 Payment to Fiscal Agent of SSA	-	-	-	-
6030 Total Expenditures	<u>107,822</u>	<u>3,713,439</u>	<u>354,967</u>	<u>55,399</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,577)</u>
1200 Net Change in Fund Balances	-	-	-	(41,577)
0100 Fund Balance - (Beginning)	-	-	-	42,033
3000 Fund Balance - (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 456</u>

EXHIBIT H-2
(Continued)

483	485	487	490	491	497	498	499
T-STEAM Training	School Safety	ECI State	Chapter 41	STAAR One Item Bank	Intruder Detection Audits	Locally Funded Special Revenue Funds - Locally Defined	Other Local SRF
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,707,611	\$ 343,528
-	-	2,689,271	-	-	411,645	-	-
-	-	5,524,421	-	-	-	-	92,792
-	-	8,213,692	-	-	411,645	1,707,611	436,320
-	-	518,299	-	-	-	34,966	323,279
-	-	-	-	-	-	-	-
-	-	8,330	-	-	-	268,983	2,650
-	-	189,832	-	-	-	339,852	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	728,364	118,777
-	-	-	-	-	-	58,074	-
-	-	6,915,749	-	-	-	-	103,688
-	-	-	-	-	-	-	1,331
-	-	232,386	-	-	9,850	5,036	6,169
-	-	289,009	-	-	7,485	64,217	6,489
-	-	60,087	-	-	-	63,431	6,450
-	-	-	-	-	311,772	78,020	-
-	-	-	-	-	-	66,668	-
-	-	8,213,692	-	-	329,107	1,707,611	568,833
-	-	-	-	-	82,538	-	(132,513)
-	-	-	-	-	82,538	-	(132,513)
161,933	4,932	16,368	170,000	224,170	-	-	1,100,430
\$ 161,933	\$ 4,932	\$ 16,368	\$ 170,000	\$ 224,170	\$ 82,538	\$ -	\$ 967,917

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES– NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

EXHIBIT H-2
 (Concluded)

698

Data Control Codes	Capital Projects	Total Other Funds
REVENUES:		
5700 Local and Intermediate Sources	\$ -	\$ 2,419,928
5800 State Program Revenues	-	7,484,850
5900 Federal Program Revenues	-	21,340,884
5020 Total Revenues	<u>-</u>	<u>31,245,662</u>
EXPENDITURES:		
Current:		
11 Instruction	-	3,730,136
12 Instructional Resources and Media Services	-	346,632
13 Curriculum and Instructional Staff Development	-	4,962,433
21 Instructional Leadership	-	4,353,031
23 School Leadership	-	468,339
31 Guidance, Counseling and Evaluation Services	-	3,423,817
32 Social Work Services	-	58,074
33 Health Services	-	7,021,958
41 General Administration	-	2,579
51 Facilities Maintenance and Operations	-	795,971
53 Data Processing Services	-	787,774
61 Community Services	-	717,623
62 School District Administrative Support Services	-	4,217,354
Intergovernmental:		
93 Payment to Fiscal Agent of SSA	-	424,475
6030 Total Expenditures	<u>-</u>	<u>31,310,196</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(64,534)</u>
1200 Net Change in Fund Balances	-	(64,534)
0100 Fund Balance - (Beginning)	71,829	1,791,695
3000 Fund Balance - (Ending)	<u>\$ 71,829</u>	<u>\$ 1,727,161</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 AUGUST 31, 2025

	752	754	799	Total
	Print Shop	Computer Operations	Internal Service Fund	Internal Service Funds
ASSETS				
Current Assets:				
Due from Other Governments	\$ 313,681	\$ 4,382	\$ 272,336	\$ 590,399
Due from Other Funds	243	-	203	446
Accounts Receivable	250	-	-	250
Inventories	147,612	-	7,189	154,801
Worker's Comp	-	-	-	-
Non-current Assets				
Capital Assets				
Buildings and Buildings Improvements	-	-	85,813	85,813
Furniture and Equipment	78,052	500,597	549,930	1,128,579
Right-to-use Assets - Leases	329,763	-	158,543	488,306
Accumulated Depreciation	<u>(176,172)</u>	<u>(465,856)</u>	<u>(525,791)</u>	<u>(1,167,819)</u>
Total Assets	<u>693,429</u>	<u>39,123</u>	<u>548,223</u>	<u>1,280,775</u>
LIABILITIES				
Accounts Payable	104,132	1,469	56,656	162,257
Accrued Wages Payable	1,434	1,736	49,830	53,000
Due to Other Funds	11,274	316	11,344	22,934
Unearned Revenue	-	-	13,703	13,703
Non-current Liabilities:				
Due Within One Year				
Right-to-use Lease Liability	65,952	-	31,899	97,851
Due In More Than One Year				
Right-to-use Lease Liability	<u>148,394</u>	<u>-</u>	<u>87,008</u>	<u>235,402</u>
Total Liabilities	<u>331,186</u>	<u>3,521</u>	<u>250,440</u>	<u>585,147</u>
NET POSITION				
Net Investment in Capital Assets	17,297	34,741	149,588	201,626
Unrestricted Net Position	<u>344,946</u>	<u>861</u>	<u>148,195</u>	<u>494,002</u>
Total Net Position	<u>\$ 362,243</u>	<u>\$ 35,602</u>	<u>\$ 297,783</u>	<u>\$ 695,628</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

	752	754	799	
	Print Shop	Computer Operations	Internal Service Fund	Total Internal Service Funds
OPERATING REVENUES:				
Interfund Services	\$ 801,297	\$ 1,457,096	\$ 2,817,944	\$ 5,076,337
Local and Intermediate Sources	1,200	-	13,314	14,514
Total Operating Revenue	<u>802,497</u>	<u>1,457,096</u>	<u>2,831,258</u>	<u>5,090,851</u>
OPERATING EXPENSES:				
Curriculum and Staff Development	-	-	47,341	47,341
Instructional Leadership	-	-	1,322	1,322
General Administration	1,009,713	-	31,935	1,041,648
Facilities Maintenance and Operations	180,500	288,487	3,679,821	4,148,808
Security and Monitoring Services	-	-	146,851	146,851
Data Processing Services	30,980	1,426,494	76,098	1,533,572
School District Administrative Support Services	544,919	-	-	544,919
Total Operating Expenses	<u>1,766,112</u>	<u>1,714,981</u>	<u>3,983,368</u>	<u>7,464,461</u>
Operating Income (Loss)	<u>(963,615)</u>	<u>(257,885)</u>	<u>(1,152,110)</u>	<u>(2,373,610)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest on Long-Term Liabilities	<u>(14,663)</u>	<u>(2,026)</u>	<u>(7,050)</u>	<u>(23,739)</u>
Total Nonoperating Revenues (Expenses)	<u>(14,663)</u>	<u>(2,026)</u>	<u>(7,050)</u>	<u>(23,739)</u>
Operating Income Before Transfers	<u>(978,278)</u>	<u>(259,911)</u>	<u>(1,159,160)</u>	<u>(2,397,349)</u>
TRANSFERS:				
Transfers In	<u>740,233</u>	<u>246,898</u>	<u>584,200</u>	<u>1,571,331</u>
Change in Net Position	(238,045)	(13,013)	(574,960)	(826,018)
Total Net Position - Beginning, as previously reported	600,288	5,638	6,029,272	6,635,198
Restatements	-	42,977	(5,156,529)	(5,113,552)
Total Net Position - Beginning, restated	<u>600,288</u>	<u>48,615</u>	<u>872,743</u>	<u>1,521,646</u>
Total Net Position - Ending	<u>\$ 362,243</u>	<u>\$ 35,602</u>	<u>\$ 297,783</u>	<u>\$ 695,628</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

	752	754	799	
	Print Shop	Computer Operations	Internal Service Fund	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 828,717	\$ 1,463,715	\$ 2,803,796	5,096,228
Cash Payments to Employees for Services	(1,008,279)	(955,709)	(2,107,089)	(4,071,077)
Cash Payments for Contracted Services	(193,315)	(367,022)	(556,326)	(1,116,663)
Cash Payments for Suppliers	(125,540)	(329,006)	(309,012)	(763,558)
Cash Payments for Other Operating Expenses	(146,599)	(29,796)	(434,557)	(610,952)
Net Cash Used In Operating Activities	<u>(645,016)</u>	<u>(217,818)</u>	<u>(603,188)</u>	<u>(1,466,022)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers from Other Funds	<u>740,232</u>	<u>246,898</u>	<u>584,200</u>	<u>1,571,330</u>
Net Cash Provided by Noncapital Financing Activities	<u>740,232</u>	<u>246,898</u>	<u>584,200</u>	<u>1,571,330</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Purchases of Capital Assets	(14,599)	-	(1,327)	(15,926)
Principal Payments on Long-term Debt	(65,954)	(27,054)	(30,382)	(123,390)
Interest Paid on Long-term Debt	(14,663)	(2,026)	(7,050)	(23,739)
Net Cash Used by Capital and Related Financing Activities	<u>(95,216)</u>	<u>(29,080)</u>	<u>(38,759)</u>	<u>(163,055)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	(57,747)	(57,747)
Cash and Cash Equivalents at Beginning of Year	-	-	57,747	57,747
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Reconciliation of Operating Income to Net Cash Used In Operating Activities:</u>				
Operating Loss:	\$ (963,615)	\$ (257,885)	\$ (1,152,110)	\$ (2,373,610)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:				
Depreciation expense	75,275	25,440	87,639	188,354
Effects of Increases and Decreases in Current Assets and Liabilities:				
(Increase) Decrease in Due from Other Governments	26,218	6,619	(41,165)	(8,328)
(Increase) Decrease in Due from Other Funds	103,097	14,348	113,373	230,818
(Increase) Decrease in Inventories	24,092	-	2,927	27,019
(Increase) Decrease in Prepaid Items	-	4,167	428,459	432,626
Increase (Decrease) in Accounts Payables	77,209	(12,559)	(94,693)	(30,043)
Increase (Decrease) in Accrued Wages Payable	1,434	1,736	27,390	30,560
Increase (Decrease) in Unearned Revenue	-	-	13,703	13,703
Increase (Decrease) in Due to Other Funds	11,274	316	11,289	22,879
Net Cash Used In Operating Activities	<u>\$ (645,016)</u>	<u>\$ (217,818)</u>	<u>\$ (603,188)</u>	<u>\$ (1,466,022)</u>

(This page intentionally left blank)

SINGLE AUDIT SECTION

(This page intentionally left blank)

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

To the Board of Trustees
Region One Education Service Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Region One Education Service Center (Center), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated January 14, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Burton, McCumber, & Longoria LLP

McAllen, Texas
January 14, 2026

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

To the Board of Trustees
Region One Education Service Center

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited the Region One Education Service Center's ("Center") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Texas Grant Management Standards* that could have a direct and material effect on each of the Center's major federal and state programs for the year ended August 31, 2025. The Center's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2025.

Basis for Opinion on Each Major Federal and State Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, 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 the Center's compliance with the requirements of each major federal and state program as a whole.

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

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

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

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

Burton, McCumber, & Longoria LLP

McAllen, Texas
January 14, 2026

(This page intentionally left blank)

REGION ONE EDUCATION SERVICE CENTER
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal Control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<i>Federal Assistance Listing Numbers (ALN)</i>	<i>Name of Federal Program or Cluster</i>
84.010A	Title I Grants to Local Educational Agencies
84.051F	Career & Technical Education – National Programs (RGV Operation Youth Career Link)
84.334A	Gaining Early Awareness and Readiness for Undergraduate Programs
84.422B	American History and Civics Education (Legacy & Legends)

Dollar threshold used to distinguish between Type A and Type B federal programs: \$1,004,433

Low Risk Auditee: No

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

Section II – Financial Statement Findings

None reported.

Section III – Federal Awards Findings

None reported.

Section IV – State Award Findings

None reported.

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

FEDERAL GRANTER/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER Title	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures	(4) Passed through to Subrecipients
FEDERAL AWARDS				
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<u>Passed Through Texas Department of Agriculture:</u>				
State Administrative Expenses for Child Nutrition (ESC Child Nutrition Program)	10.560	108-950	\$ 637,719	\$ -
Total Federal ALN 10.560			<u>637,719</u>	<u>-</u>
Total Passed Through Texas Department of Agriculture			<u>637,719</u>	<u>-</u>
<u>Passed Through Texas Health and Human Services Commission:</u>				
<i>SNAP Cluster</i>				
State Administrative Matching Grants For The Supplemental Nutrition Assistance Program (SNAP - Ed)	10.561	HHS000640200034	88,670	-
Total Federal ALN 10.561			<u>88,670</u>	<u>-</u>
<i>Total SNAP Cluster</i>			<u>88,670</u>	<u>-</u>
Total Passed Through Texas Health and Human Services Commission			<u>88,670</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 726,389</u>	<u>\$ -</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<u>Direct Programs:</u>				
<i>TRIO Cluster</i>				
Trio Upward Bound (STEM Link to College and Careers)	84.047M	P047M220132	\$ 296,381	\$ 23,634
Total Federal ALN 84.047M			<u>296,381</u>	<u>23,634</u>
Trio Upward Bound (Upward Bound GEAR UP for College)	84.047A	P047A230032	288,031	20,290
Total Federal ALN 84.047A			<u>288,031</u>	<u>20,290</u>
Trio Educational Opportunity Centers (Operation College Bound)	84.066A	P066A210044	285,786	-
Total Federal ALN 84.066A			<u>285,786</u>	<u>-</u>
<i>Total TRIO Cluster</i>			<u>870,198</u>	<u>43,924</u>
Career And Technical Education - National Programs (RGV Operation Youth Career Link)	84.051F	V051F230015	976,628	100,507
Total Federal ALN 84.051F			<u>976,628</u>	<u>100,507</u>
School Safely National Activities (Building Mental Health Leaders)	84.184X	S184X220033	997,208	20,874
School Safely National Activities (NEXT GEN Region One Project LEAD)	84.184X	S184X240027	303,414	-
Total Federal ALN 84.184X			<u>1,300,622</u>	<u>20,874</u>
BLOOM - Building Leadership Outreach, Opportunities and Memories	84.215G	S215G230011	854,983	-
Total Federal ALN 84.215G			<u>854,983</u>	<u>-</u>
Gaining Early Awareness And Readiness For Undergraduate Programs (Title IV, Pathways to the Future!, GEAR UP Program)	84.334A	P334A240004	3,400,893	1,574,054
Gaining Early Awareness And Readiness For Undergraduate Programs (Title IV, Pathways to the Future!, GEAR UP Program)	84.334A	P334A210014	4,192,680	1,952,298
Gaining Early Awareness And Readiness For Undergraduate Programs (Title IV, College Ready, GEAR UP Program)	84.334A	P334A180024	2,449,342	963,652
Gaining Early Awareness And Readiness For Undergraduate Programs (Title IV, College Now, GEAR UP Program)	84.334A	P334A180025	4,602,962	1,374,626
Total Federal ALN 84.334A			<u>14,645,877</u>	<u>5,864,630</u>
Education Innovation And Research (Formerly Investing In Innovation (I3) Fund) (Project LIFT - Linking Innovation Fostering Transition)	84.411C	S411C230008	753,569	-
Total Federal ALN 84.411C			<u>753,569</u>	<u>-</u>
American History And Civics Education (Legacy and Legends)	84.422B	S422B230065	932,040	51,494
Total Federal ALN 84.422B			<u>932,040</u>	<u>51,494</u>
Total Direct Programs			<u>20,333,917</u>	<u>6,081,429</u>

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

FEDERAL GRANTER/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER Title	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures	(4) Passed through to Subrecipients
<i>Passed Through State Department of Education:</i>				
Title I Grants To Local Educational Agencies (ESC School Improvement Facilitation)	84.010A	236101547110001	96,413	-
Title I Grants To Local Educational Agencies (ESC School Improvement Facilitation)	84.010A	246101547110001	1,122,338	-
Title I Grants To Local Educational Agencies (ESC ESSA Basic Services - 6101)	84.010A	256101197110001	84,781	-
Title I Grants To Local Educational Agencies (Tx Strategic Leadership Expansion)	84.010A	246101697110001	132,039	-
Title I Grants To Local Educational Agencies (TX Instructional Leader Expansion -Title I, A)	84.010A	256101457110001	170,752	-
Title I Grants To Local Educational Agencies (ESC Texas Instructional Leadership (TIL) Lead)	84.010A	246101507110001	164,335	-
Total Federal ALN 84.010A			1,770,658	-
Migrant Education State Grant Program (ESC ESSA Basic Services - 6150)	84.011A	256150027110001	1,572,687	-
Migrant Education State Grant Program (MEP Systems Initiative)	84.011A	256150377110001	156,936	-
Total Federal ALN 84.011A			1,729,623	-
<i>Special Education Cluster (IDEA)</i>				
Special Education Grants To States (ESC IDEA-B Sensory IMP)	84.027A	256600227110001	73,629	-
Special Education Grants To States (ESC IDEA-B Special Education Leadership)	84.027A	256600567110001	687,683	-
Special Education Grants To States (Authorized Providership for Restorative Practices)	84.027A	246600727110001	96,342	-
Special Education Grants To States (ESC Special Education Liaison Grant)	84.027A	256600657110001	254,431	-
Special Education Grants To States (IDEA B Formula SSA)	84.027A	256600011089506600	240,671	-
Total Federal ALN 84.027A			1,352,756	-
Special Education Preschool Grants (ESC IDEA-B Preschool)	84.173A	256610227110001	267,454	-
Special Education Preschool Grants (IDEA B Preschool)	84.173A	256610011089506610	1,312	-
Total Federal ALN 84.173A			268,766	-
<i>Total Special Education Cluster (IDEA)</i>				
			1,621,522	-
Career And Technical Education -- Basic Grants To States (ESC CTE Leadership)	84.048A	254200097110001	108,384	-
Career And Technical Education -- Basic Grants To States (2023-2024 Effective Advising Planning Grant)	84.048A	254200337110008	72,881	30,000
Career And Technical Education -- Basic Grants To States (23-24 Perkins V: Strengthening CTE for 21st Century)	84.048A	25420006108950	63,006	-
Total Federal ALN 84.048A			244,271	30,000
Migrant Education Coordination Program (MEP Systems Initiative)	84.144F	256152377110001	1,026	-
Total Federal ALN 84.144F			1,026	-
Education For Homeless Children And Youth (TECHY ESC Capacity Building Grant)	84.196A	254600087110001	145,709	-
Education For Homeless Children And Youth (2023-2024 ESC TECHY Capacity Building Grant)	84.196A	244600087110001	53,832	-
Total Federal ALN 84.196A			199,541	-
English Language Acquisition State Grants (ESC Title III Supports)	84.365A	256710027110001	117,534	-
English Language Acquisition State Grants (Title III, Part A-ELA)	84.365A	24671001108950	4,921	-
English Language Acquisition State Grants (Title III, Part A-ELA)	84.365A	25671001108950	105,868	5,209
English Language Acquisition State Grants (Title III, Part A-Immigrant)	84.365A	25671003108950	7,278	1,582
Total Federal ALN 84.365A			235,601	6,791
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants (ESC ESSA Basic Services - 6945)	84.367A	256945747110001	32,284	-
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants (ESC Fellows - Texas Mentorship)	84.367A	256945037110001	19,831	-
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants (Texas Strategic Compensation for ESCS)	84.367A	236945877110001	21,541	-
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants (Texas Strategic Compensation for ESCS)	84.367A	256945877110001	203,685	-
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants (TX Instructional Leader Expansion-Title II, A)	84.367A	256945737110001	107,419	-
Total Federal ALN 84.367A			384,760	-

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

FEDERAL GRANTER/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER Title	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures	(4) Passed through to Subrecipients
Student Support And Academic Enrichment Program (ESC TTL IV Mental Behavioral Health TS)	84.424A	246801117110001	11,429	-
Student Support And Academic Enrichment Program (ESC TTL IV Mental Behavioral Health TS)	84.424A	256801117110001	63,693	-
Student Support And Academic Enrichment Program (ESC ESSA Basic Services - 6801)	84.424A	256801057110001	143,475	-
Total Federal ALN 84.424A			<u>218,597</u>	<u>-</u>
Student Support And Academic Enrichment Program (Stronger Connections Tech Assist)	84.424F	236811047110001	181,766	-
Total Federal ALN 84.424F			<u>181,766</u>	<u>-</u>
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund (ESC ESSER III Tech Assist)	84.425U	215280457110001	12,260	-
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund (ESSER Liquidation Extension Technical Assistance)	84.425U	4667	59,217	-
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund (ESC ADY PEP Operation)	84.425U	4610	192,414	-
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund (ESC Texas Tutoring Support)	84.425U	215280277110001	18,953	-
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund (ESC THL Dedicated Staff - ESSER III)	84.425U	215280407110001	34,384	-
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund (ESC OP Support Accelerated Learning)	84.425U	215280417110001	25,755	-
Total Federal ALN 84.425U			<u>342,983</u>	<u>-</u>
American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth (ARP Homeless I-ESC Capacity Building SUPP)	84.425W	215330037110001	13,670	-
American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth (ARP Homeless II, ESC COVID Recovery)	84.425W	215330047110001	142,940	-
Total Federal ALN 84.425W			<u>156,610</u>	<u>-</u>
ESC ESSA Basic Services - 6000	84.999	256000117110001	48,281	-
Total Federal ALN 84.999			<u>48,281</u>	<u>-</u>
Total Passed Through State Department of Education			<u>7,135,239</u>	<u>36,791</u>
<u>Passed Through Texas Health and Human Services Commission:</u>				
<i>Special Education Cluster (IDEA)</i>				
Special Education-Grants to States	84.027	HHS000640200034	158,040	-
Total Federal ALN 84.027			<u>158,040</u>	<u>-</u>
Special Education-Grants for Infants & Families with Disabilities	84.181	HHS000640200034	665,582	-
Total Federal ALN 84.181			<u>665,582</u>	<u>-</u>
Every Student Succeeds Act/Preschool Development Grants (PDG Training)	93.434	HHS000640200034	105,653	-
Total Federal ALN 93.434			<u>105,653</u>	<u>-</u>
Total Passed Through Texas Health and Human Services Commission			<u>929,275</u>	<u>-</u>
<u>Passed Through Texas Workforce Commission:</u>				
Adult Education and Literacy Service Provider	84.002A	2924ALA028	2,609,163	-
Total Federal ALN 84.002A			<u>2,609,163</u>	<u>-</u>
Total Passed Through Texas Workforce Commission			<u>2,609,163</u>	<u>-</u>
<u>Passed Through Region 10 Education Service Center:</u>				
Adult Education and Literacy Service Provider	84.027A	246600647110001	279,446	56,700
Total Federal ALN 84.002A			<u>279,446</u>	<u>56,700</u>
Total Passed Through Region 10 Education Service Center			<u>279,446</u>	<u>56,700</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 31,287,040</u>	<u>\$ 6,174,920</u>

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

FEDERAL GRANTER/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER Title	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures	(4) Passed through to Subrecipients
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>				
<u>Direct Programs:</u>				
Demonstration Grants For Domestic Victims Of Human Trafficking (Human Trafficking Youth Prevention Education)	93.327	90TV0051	\$ 474,356	\$ -
Total Federal ALN 93.327			<u>474,356</u>	<u>-</u>
Total Direct Programs			<u>474,356</u>	<u>-</u>
<u>Passed Through Texas Workforce Commission:</u>				
Temporary Assistance For Needy Families (Adult Education and Literacy Service Provider Grant)	93.558	2924ALA028	151,285	-
Total Federal ALN 93.558			<u>151,285</u>	<u>-</u>
Total Passed Through Texas Workforce Commission			<u>151,285</u>	<u>-</u>
<u>Passed Through Texas Health and Human Services Commission:</u>				
Temporary Assistance For Needy Families (Special Education-Temporary Assistance for Needy Families)	93.558	HHS000640200034	352,210	-
Temporary Assistance For Needy Families (School Based Intervention Program)	93.558	HHS001406700001	122,566	47,518
Total Federal ALN 93.558			<u>474,776</u>	<u>47,518</u>
<u>Medicaid Cluster</u>				
Medicaid Administrative Claiming Program	93.778	529-11-0040-00016	367,266	-
Total Federal ALN 93.778			<u>367,266</u>	<u>-</u>
Total Medicaid Cluster			<u>367,266</u>	<u>-</u>
Total Passed Through Texas Health and Human Services Commission			<u>842,042</u>	<u>47,518</u>
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>\$ 1,467,683</u>	<u>\$ 47,518</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 33,481,112</u>	<u>\$ 6,222,438</u>
<u>STATE AWARDS</u>				
<u>State Department of Education:</u>				
ESC State Base	N/A	250280017110001	\$ 257,608	\$ -
ESC Statewide SSVI	N/A	251019027110001	330,532	-
Reading Academies ESC Implementation Grant	N/A	230266117110001	86,137	-
Reading Academies ESC Implementation Grant	N/A	250268117110001	2,666	-
Reading Academies ESC Implementation Grant	N/A	230268117110001	31,573	-
ESC State Gifted and Talented	N/A	251010027110001	11,000	-
IM Portal ESC Review And Support	N/A	232500137110001	9,847	-
Fentanyl Contamination	N/A	240315407110001	64,405	-
ESF Diagnostic Expansion Support	N/A	230291827110001	106,677	-
Texas Strategic Leadership ESC Pilot Certification	N/A	230387177110001	319,880	-
Texas Strategic Staffing ESC	N/A	240291037110001	48,603	-
Math Academies	N/A	250281057110001	81,000	-
TIA Regional Support	N/A	240370017110001	75,000	-
TIA Regional Support	N/A	250370027110001	64,931	-
2023-2024 Tri-Agency Grant for Regional Conveners	N/A	230386047110005	256,575	-
Tri-Agency South Texas (Continuation)	N/A	250370147110012	29,385	-
Tri-Agency South Texas	N/A	250370147110015	23,985	-
TCR/OER Adoption	N/A	240310597110001	418,762	-
TIA Specialized Hubs	N/A	250370027110001	380,185	-
SSI Community Partnerships	N/A	250240367110001	38,283	-
TIA Specialized Hubs - 375	N/A	250375057110001	5,871	-
ESC IDEA-B SPED Leadership	N/A	230360067110001	1,675,496	-
ESC Special Education Liaison Grant	N/A	230360087110001	246,868	-
Total State Department of Education			<u>4,565,269</u>	<u>-</u>

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

FEDERAL GRANTER/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER Title	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures	(4) Passed through to Subrecipients
<u>Region 5 Education Service Center:</u>				
Texas Lesson Study	N/A	250310307110002	265,849	-
Total Region VI Education Service Center			<u>265,849</u>	<u>-</u>
<u>Texas Higher Education College Board:</u>				
TX Works	N/A	N/A	5,043	-
TX CS Pipeline Project	N/A	N/A	4,879	-
Total Texas Higher Education College Board			<u>9,922</u>	<u>-</u>
<u>Texas Health and Human Services Commission:</u>				
ECI - Respite	N/A	HHS000640200034	11,536	-
Early Childhood Intervention	N/A	HHS000640200034	2,689,271	-
Total Texas Health and Human Services Commission			<u>2,700,807</u>	<u>-</u>
<u>Texas Workforce Commission:</u>				
Adult Basic Education	N/A	2924ALA028	248,021	-
Total Texas Workforce Commission			<u>248,021</u>	<u>-</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>\$ 7,789,868</u>	<u>\$ -</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 41,270,980</u>	<u>\$ 6,222,438</u>

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2025

1. GENERAL

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

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

2. BASIS OF ACCOUNTING AND PRESENTATION

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

The Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Uniform Grant Management Standards* (TXGMS). Therefore, some of the amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. INDIRECT COSTS

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

4. RECONCILIATION TO FINANCIAL STATEMENTS

The following is the reconciliation of federal and state revenues and the Schedule for the year ended August 31, 2025.

Total expenditures of federal and state awards, per Exhibit K-1	\$	41,270,980
Add:		
Other federal and state revenues		9,892,563
Total federal and state revenues, per Exhibit C-3	\$	51,163,543



Daniel P. King, Ph.D.
Executive Director

Region One Education Service Center

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

Region One Education Service Center
Status of Prior Year Audit Findings
For the year ended August 31, 2025

Findings Related to the Financial Statements

2024-001 Bank Reconciliations and Related Items

Status – Completed: August 31, 2025

The Finance Team continually works to improve the bank reconciliation process. The bank reconciliations are the responsibility of the department Accountant. As of August 31, 2025, all bank accounts were reconciled.

Findings Related to Federal Awards

2024-002 Timely Time and Effort Approvals

Status – Completed: March 31, 2025

The Finance Department worked with multiple departments to improve the timeliness of submission and review of both semi-annual and monthly certifications. All departments were retrained on the certification submission process to facilitate timely processing.

2024-003 Matching

Status – Completed: February 28, 2025

GEAR UP department has implemented a Matching Approval Process to facilitate the review process. Technical support has also been provided to campus facilitators to mitigate submission issues.

2024-004 Subaward Agreements

Status – Completed: August 31, 2025

Region One continues to comply with the requirements from the USDE to include a copy of signed agreement by all parties delineating roles/responsibilities and commitments. The agreement must be included as part of the grant application in order for it to be eligible/considered for funding.

Findings Related to State Awards

Status – See status on 2024-002 above.

Region One Education Service Center does not discriminate on the basis of race, color, religion, sex, sexual orientation, gender, gender identity, national origin, age, disability, or any other basis prohibited by law in its programs and activities.